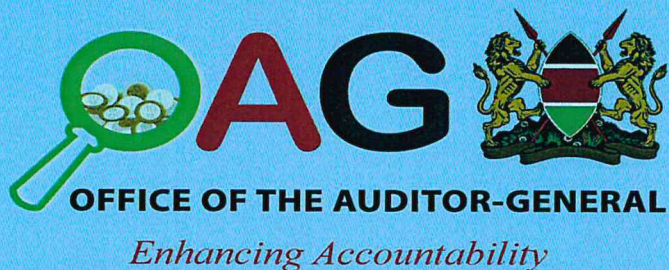


REPUBLIC OF KENYA



**REPORT**

THE NATIONAL ASSEMBLY	
DATE: 17 FEB 2022	
TABLED BY:	LDM
OF KAT TABLE:	C. Ndintu

**THE AUDITOR-GENERAL**

**ON**

**KENYA ACCREDITATION SERVICE**

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





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**Kenya  
Accreditation  
Service**

*... Delivering Trust*



**International Public Sector Accounting Standards (IPSAS)  
Annual Financial Reporting Template for  
Regulatory and Other Non-Commercial Government Owed Entities**

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**REGULATORY AND OTHER NON-COMMERCIAL ENTITIES  
KENYA ACCREDITATION SERVICE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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



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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background Information

Kenya Accreditation Service (the “Service”) is a State Corporation re-established by the Kenya Accreditation Service Act 2019 (Act No. 17 of 2019). It is the successor to the former Service established under the Kenya Accreditation Service Order 2009 (Legal Notice No 55 of 2009). The Service is the sole national accreditation body for Kenya responsible for providing for an internationally recognized accreditation system as means for facilitating trade, enhancing economic outcomes, managing and mitigating risks to quality, health, safety, protection of consumer and the environment.

The broad function of the Service is to accredit and exercise oversight over providers or organizations (both public and private) that carry out conformity of assessment activities. The Service accredits based on established international standards, criteria, and guidelines promotes, the acceptance of equivalence of accreditations worldwide.

#### Vision Statement

*A symbol of trust in quality, safety, and environmental assurance*

#### Mission Statement

*To provide greater confidence in accredited conformity assessment services to businesses, government, regulators, consumers, and the public.*

**Value Proposition** ... Delivering Trust

**Core Values** ... iPace





## **b) Principal Activities**

The principal activities of the Service as provided by *Kenya Accreditation Service Act 2019* is to assess and accredit conformity assessment bodies in line with established standards and criteria. The accreditation granted by the Service is an independent confirmation of the recognition of the competence of a conformity assessment service provider to perform specific conformity assessment activities to the highest standards of quality and consistently.

As set out in the *Kenya Accreditation Service Act 2019*, conformity assessment bodies include calibration, testing, medical testing, and proficiency test providers laboratories, inspection, verification, and certification bodies that operate in all the sectors of the economy. The economic sectors covered by accredited conformity assessment bodies range from industry (manufacturing), agriculture, healthcare, transport, energy, environment, telecommunication, mining, fishing, water, irrigation, among others.

The Service is responsible for promoting the equivalence the competence of accredited bodies and accreditation worldwide through as the signatory to international and regional mutual recognition arrangements and frameworks. Also, the Service provides accreditation training, and undertakes promotion of its accreditation services and related research activities.

## **c) Key Management**

The day-to-day management of the Service is under the oversight of Board of Directors, the accounting officer who is Chief Executive Officer and delegated Management Staff assigned direct fiduciary responsibilities.

## **d) Fiduciary Management**

The key Management Staff of the Service that held Office during the financial year ended 30th June 2020 with direct fiduciary responsibility are listed in the Table below.

#	Designation/Position	Name
1	Chief Executive Officer	Mr. Martin Chesire
2	Deputy Director, Technical Service	Mrs. Susannah Munyiri-Ochieng
3	Deputy Director, Finance and Administration	Mr. John Kamau

## **e) Fiduciary Oversight Arrangements**

The Service's key fiduciary oversight arrangements under the Board of Directors during the financial year ended 30th June 2020 was structured as follows:

- July to December 2019:**

There were three Committees, namely: Finance, Human Resource and General -Purpose Committee (FHRGPC), Technical Committee (TC) and the Audit and Risk Management Committee (ARMC).

- **January to June 2020**

The Board restructured further resulting in four Committees, namely the Audit and Risk (ARC), Finance (FIC), Human Resource (HRC) and Technical (TEC).

The Technical Committee (TEC) is responsible for the achievement of its strategic objectives and ensures its implemented. The Audit and Risk Committee (ARC) is responsible for managing the Service's risk, ensuring compliance to all applicable laws and regulations. The Finance Committee (FIC) is to ensure that the Service's budget and procurement plan are in line with the mandate of the Service and aligned to the relevant laws. The HRC is responsible for advising the Board on implementation policies and strategies on all aspects of human resources and administration.

**f) Service Headquarters**

Embankment Plaza, 2nd Floor  
Longonot Road (Upper Hill)  
NAIROBI

**g) Service Contacts**

P.O. Box 47400 NAIROBI 00100  
Telephone: +254 725 227 640  
Email: [md@kenyaaccreditation.org](mailto:md@kenyaaccreditation.org) and  
[info@kenyaaccreditation.go.ke](mailto:info@kenyaaccreditation.go.ke)  
Website: [www.kenas.go.ke](http://www.kenas.go.ke)  
Twitter: @KENASgoke

**h) Service Bankers**

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

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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

**Other Legal Advisers**

Sisule & Associates Advocates  
Ngong Lane Plaza, 3rd Floor  
Ngong Lane (Off Ngong Road)  
P.O. Box 29014-  
NAIROBI 00100

KO Associates  
4th Avenue Towers, 14th Floor North Wing  
Fourth Ngong Avenue  
P.O. Box 42713  
NAIROBI 00100



## 2. THE BOARD OF DIRECTORS



**Dr Catherine N Adeya, Chairperson (born 1968)**

***Appointed in September 2018 (Resigned on 3<sup>rd</sup> July 2020)***

Dr. Catherine Adeya is a results-driven and seasoned Information Scientist with over twenty years' experience in multidisciplinary global environments, both in the public and private sector.

Dr Adeya is a graduate in Information Sciences (pioneering class) at Moi University in Kenya. She also holds a Master of Philosophy in Electronic Publishing and Information Development from Edinburgh Napier University (Scotland) and a PhD in Information and Development from Edinburgh University (Scotland). Dr Adeya is graduate of Yale University (USA) Executive Education – Women's Leadership Program, she is Certified in Corporate Governance from the Institute of Directors Kenya, Africa Corporate Governance (South Africa) and the Centre for Corporate Governance of Kenya.

She served as the founder CEO of the Konza Technopolis Development Authority and the Director of Business Process Outsourcing at the Ministry of ICT in Kenya. Dr Adeya began her career as a Research Fellow at the United Nations University Institute for New Technologies in Maastricht, The Netherlands.



**Dr Joyce Jefwa, Independent Director (born 1962)**

***Appointed in December 2016 (Retired in December 2019)***

Dr Joyce Jefwa is a scientist and researcher with over 30 years of experience in Biological Sciences with specialization in Botany, Mycology and Soil fertility.

Dr Jefwa has PhD in Botany for the University of Pretoria (South Africa), a Master of Science in Conservation of Soil Fertility from University of Kent (U.K.) and Postgraduate diploma in Biosafety and Biotechnology from Gent University (Belgium). She is a graduate of Kenyatta University with Bachelor of Science Education in Botany and Zoology.

Dr Joyce Jefwa has worked as a Scientist at the National Museums of Kenya, a Senior Lecturer at Pwani University and Centro Internacional de Agricultura Tropical (CIAT). She has also worked as a consultant with the International Institute of Tropical Agriculture (IITA), Food and Agriculture Organization (FAO) and Biodiversity International, among others. She has worked in various projects and programmes on the restoration of natural and agro-ecosystems, and her research expertise is on mycorrhiza (arbuscular, ecto- and orchid mycorrhiza) and mushroom.





**Dr. Nancy N. Muriuki, Independent Director (born 1963)**  
***Reappointed in March 2020***

Dr. Nancy Muriuki holds a PhD in Organizational Leadership from Regent University, USA, MBA from the University of Nairobi and Certified Secretary (CS) qualification from KASNEB, Diploma in Management from the Kenya Institute of Management (KIM) and Bachelor of Commerce (Business Administration) from the University of Nairobi. She is a member of the Institute of Human Resources Management of Kenya (IHRM-K) and the Institute of Certified Secretaries (ICS). She is currently an adjunct lecturer at Pan Africa Christian University (PAC) Nairobi, and the founding Director of Africa Success Enhancement Lab (ASEL) offering training on corruption prevention through servant leadership.

Dr Muriuki specializes in Governance and Leadership, Human Resource Management/Development and Corporate Secretarial Practice. She is currently the Chairman of the Board of KASNEB, and she has over thirty years' experience having worked at Amref as Director of Human Resources and CIC Insurance Group as Company Secretary/Human Resources Manager. She has also worked with the Government of Kenya as the Civilian Administration Officer at the Kenya Navy and Defense headquarters.

**Dr. Muriuki's first term ended in December 2019 and was reappointed in March 2020.**



**Ms. Hannah M. Kiarie, Alternate to the Principal Secretary State Department for Industrialization (born 1973)**  
***Appointed in August 2018 (Left in March 2020)***

Ms Hannah Kiarie has over 21 years of experience in both the Private and Public Sector.

She has a Master of Science in Applied Human Nutrition and a Bachelor of Food Science and Technology from the University of Nairobi. Ms. Kiarie began her career in the food and beverage industry working at Unga Limited and Kenya Breweries. She joined Public Service in October 1998 as an Industrial Development Officer at the then Ministry of Industrial Development. Since then she has held different portfolios at the Ministry and rising to her current position as Deputy Director in charge of Research, Manufacturing, and Industrialization Policy at State Department for Industrialization, under the Ministry of Industrialization, Trade and Enterprise Development.

**Ms. Kiarie exited the Board in March 2020.**





**Ms. Stella Osoro, Alternate to the Principal Secretary the National Treasury (born 1984)**

***Appointed in November 2015***

Ms. Stella Osoro is an experienced Public Sector Economist and Accountant.

She has a Master of Arts in Economics and a Bachelor of Arts in Economics from the University of Nairobi. She is a Certified Public Accountant of Kenya (CPA-K).

Currently, Ms. Osoro works at the National Treasury and Planning as a Principal Economist.



**Mr. Danson N: Mwangi, Independent Director (born 1962)**

***Appointed in November 2019***

Mr. Danson Mwangi has over twenty years of experience in management, institutional leadership, and Governance. He has a Master of Business Administration (International Business) from the Open University of Malaysia, Bachelor of Global Contemporary Health from University of Hertfordshire (U.K.), postgraduate Diploma in Dental Technology from Kenya Medical Training Institute, and Pre-clinical Studies from the University of Nairobi.

Mr. Danson started his career as a prosthetic, and surgical dental technologist at the Ministry of Health, then later practiced at Kenyatta National Hospital and later at the University of Nairobi. He further practiced and managed dental laboratories in Malaysia before venturing into a private consulting and medical supplies business. Mr. Mwangi is a member of the Kenya Dental Technologist Association and various community Associations.



**Ms. Mercy W. Warui, Independent Director (born 1975)**

***Appointed in January 2020***

Ms. Warui has diverse experience in business, management and finance with over twenty years. She has a Bachelor of Commerce from the University of Nairobi and is a Certified Public Accountant of Kenya (CPA-K).

Ms. Warui started her career as an Accountant and held various positions. She is the Managing Director of Power Options Limited and a director of several private companies. She previously served as a member of the Insurance Appeals Tribunal.



**Mr. Alex Gatundu, Independent Director (born 1973)**

***Appointed in January 2020***

Mr. Alex Gatundu is an advocate of the High Court of Kenya with some 22 years experience in Law practice, and he is the Managing Partner of Gatundu & Co Advocates.

Mr. Gatundu has a Bachelor of in Law (LLB) degree from the University of Nairobi and a Diploma of Law from the Kenya School of Law. Mr Gatundu was called to the Bar in December 1998, and he specializes in Civil and Commercial law practice. He is a Certified Retirement Benefits Trustee and has held several leadership positions at the African Bar Association (Kenya Forum) and the Law Society of Kenya.



**Mr. Duncan Nyale, Independent Director (born 1981)**

***Appointed in January 2020***

Mr. Duncan Nyale is a seasoned Technical, Public Policy and Administration advisor with over 15 years' experience in Corporate Governance, Information and Communication Technologies (ICT) and Education. He is passionate about developing and implementing policies under Innovation, Sustainable Cities & Communities and Education.

He is a Lecturer and a former Ag. Director of the Directorate of Computing and e-Learning at the Cooperative University of Kenya he has partnered and researched with several national and international organizations including Ford Foundation, Centre for Intellectual Property and Information Technology Law at Strathmore University (CIPIT), Collaboration on International ICT Policy for East and Southern Africa (CIPESA), Kenya ICT Action Network (KICTANet), ARTICLE 19 Eastern Africa, Paradigm Initiative Nigeria among others.

Mr. Nyale has extensively consulted for numerous private and public sector organizations on matters policy development and project Management including the Ministry of Interior, Mombasa and Kilifi County Governments, the Anglican Church of Kenya, Moringa School and several NG-CDF committees. He has held various Board positions and previously worked as Head of ICT, Business Solutions Developer, ICT Project Manager and Software Engineer.

He holds a Master of Science in Information Systems from Kisii University, a Bachelor of Science in Information Technology and a Diploma in Information Technology from the Jomo Kenyatta University of Agriculture and Technology.





**Ms. Lucy Kariuki, Alternate to the Principal Secretary State Department for Industrialization (born 1961)**

***Appointed in January 2020***

Ms. Lucy Kariuki has over 30 years of experience in Accounting and Financial management.

She has a Master of Business Administration from Maastricht School of Management/ESAM and she is a Certified Public Accountant of Kenya (CPA-K).

Currently, she is the Deputy Accountant General at the State Department for Industrialization under Ministry of Industrialization, Trade and Enterprise Development.



**Martin Chesire, Chief Executive Officer (born 1973)**

***Appointed in March 2018***

Mr. Martin Chesire is quality infrastructure professional with over twenty years working with national, regional and international organizations and development partners.

He has a Master of Science in Quality Management and Business Excellence from the University of Stirling (Scotland) and Executive Master of Business Administration in International Management from the Université de Genève (Switzerland). He

is a graduate of Moi University (Kenya) with a Bachelor of Science in Chemistry.

Mr. Chesire joined the Geneva-based International Organization for Standardization (ISO) in 2008, and worked in different roles in ISO's capacity building programmes. Prior to that, he worked at the Kenya Bureau of Standards (KEBS) from mid-1998 and rose to hold the position of Manager, Systems Improvement. He is a Chartered Quality Professional (U.K.), and a member of the Chartered Quality Institute (U.K.) and a member of the Institute of Directors of Kenya.

### 3. MANAGEMENT TEAM



**Martin Chesire**  
**Chief Executive Officer**  
Date joined: 19th March 2018  
Qualifications: EMBA, MSc. BSc., CQP (UK), MlOD(K)



**John Kamau**  
**Deputy Director, Finance and Administration**  
Date joined: 1st August 2011  
Qualifications: MBA, BCom., CPA(K), CPS(K)



**Susannah Munyiri-Ochieng**  
**Deputy Director, Technical Services**  
Date joined: 1st August 2011  
Qualifications: MBA, BSc., Dip. QI, MlOD(K)



**Felista Nyakoe**  
**Assistant Director, Testing and Calibration**  
Date joined: 1st August 2011  
Qualifications: MBA, BSc.



**Abraham Wekesa**  
**Assistant Director, Inspection and Verification**  
Date joined: 1st August 2011  
Qualifications: MEnv.Sc., BSc., HDip. PM





**Michael Talam**  
**Assistant Director, Certification**  
Date joined: 1st August 2011  
Qualifications: EMBA, BIT



**Doris Mueni Mengo**  
**Assistant Director, Health and Safety**  
Date joined: 1st August 2011  
Qualifications: MSc., BSc., Dip. QI



**Elizabeth Muema**  
**Assistant Director, Communication and Public Relations**  
Date joined: 1st August 2012  
Qualifications: BA, MCIPR (UK), MPRS(K)



**Henry Wandabwa**  
**Assistant Director, Finance**  
Date joined: 1st April 2011  
Qualifications: MBA, BCom., CPA(K)



**Elijah Kandie**  
**Manager, Internal Audit**  
Date joined: 2nd January 2017  
Qualifications: BBM, CPA(K), MIIA(K)



**Flormina Musee**  
**Procurement Officer**  
Date joined: 4th June 2012  
Qualifications: MBA, BBA, MCIPS (UK), MKISM



**David Ochieng**  
**Assistant Director, Human Resources and Training**  
Date joined: 4th September 2017  
Qualifications: MBA, MHRM, BSc., PGDip.FM,  
HDip.HRM, MIHRM(K)



**Lawrence Ruriga**  
**Acting ICT Officer**  
Date joined: 1st April 2011  
Qualifications: Dip. ICT, CCNA

### Qualifications key

<b>BA</b>	Bachelor of Arts	<b>MBA</b>	Master of Business Administration
<b>BBA</b>	Bachelor of Business Administration	<b>MEEn.Sc.</b>	Master of Environmental Science
<b>BBM</b>	Bachelor of Business Management	<b>MHRM</b>	Master of Human Resource Management
<b>BCom.</b>	Bachelor of Commerce	<b>MSc.</b>	Master of Science
<b>BIT</b>	Bachelor of Industrial Technology	<b>PGDip.</b>	Postgraduate Diploma
<b>BSc.</b>	Bachelor of Science	<b>PM</b>	Project Management
<b>CCNA</b>	Cisco Certified Network Associate	<b>PRSK</b>	Public Relations Society of Kenya
<b>CIPR</b>	Chartered Institute of Public Relations	<b>QI</b>	Quality Infrastructure
<b>CIPS</b>	Chartered Institute of Purchasing and Supply Chain		
<b>CPA</b>	Certified Public Accountant		
<b>CPS</b>	Certified Public Secretary		
<b>CQI</b>	Chartered Quality Institute		
<b>CQP</b>	Chartered Quality Professional		
<b>Dip.</b>	Diploma		
<b>EMBA</b>	Executive Master of Business Administration		
<b>FM</b>	Financial Management		
<b>HDip.</b>	Higher Diploma		
<b>ICT</b>	Information Communication Technology		
<b>IHRM</b>	Institute of Human Resource Management		
<b>IIA</b>	Institute of Internal Auditors		
<b>IoD</b>	Institute of Directors		
<b>KISM</b>	Kenya Institute of Supplies Management		



#### 4. CHAIRPERSON'S STATEMENT

It is my pleasure to present the Annual Report and Financial Statement of the Service for the Financial Year 2019/2020 being the 10th cycle since the Service commenced its operations. The number 10 is the first digit with the zero, and it is the first double-digit and endows one with extra vitality. This report, therefore, presents the performance of the Service in the FY 2019/2020 against targeted performance results as contained in Performance contract and FY 2019/2020 priority initiatives.

At the outset of the year, the Service witnessed three significant milestones. First, the Service turned ten years, and we celebrated this milestone on 6<sup>th</sup> August 2019. As a Board, we were delighted to have been part of this journey that began in 2009. Second, the Service got its new legal statute the *Kenya Accreditation Service Act 2019 (Act No. 17 of 2019)* enacted with its commencement set as 2<sup>nd</sup> September 2019. As a result, it heralded a new order for the Service. The Service immediately began to transition its operations to align with its new legal statute. The third and final milestone is that the Service received the approval of its revised Human Resource Policy Instruments also in September, concluding the required alignment by the May 2017 State Corporations Advisory Committee directive.

That said, during the year, the Service undertook three key institutional capacity development initiatives. In October 2019, the Service commissioned a legal and Governance audit as required by *Mwongozo* Code of Governance. The output of the legal and Governance audit will also assist the Service to align itself for a smooth transition to the new legal statute. Further, in February 2020, the Service undertook a physical and cybersecurity audit as required by the Government security policy. Lastly, in May 2020, the Service embarked on aligning its Strategic Plan 2020-2024 with the new legal status to position itself to take full advantage of its broadened mandate. The alignment of the Strategic Plan will conclude during the first quarter of the Financial Year 2020/2021.

The outbreak of COVID-19 pandemic in March 2020 and the subsequent measures issued by the Ministry of Health and specifically on travel restrictions affected the overall performance of the Service. The impact on the performance of the Service was moderate which included the cancellations of some ninety-four (94) accreditation assessments, and suspension of all classroom training courses that were to take place between March and June 2020. As a result, the Service could not realize approximately Kshs 24,129,220 in revenue. In addition, the Service had to cancel the hosting of the African Accreditation Cooperation meetings planned for 31<sup>st</sup> May to 6<sup>th</sup> June 2020.

Nevertheless, the Service managed to navigate through the COVID-19 period to the end of the FY 2019/2020 successfully. During this COVID-19 period, the Service was able safety-proof its Offices in line with the Ministry of Health Protocols, enabled non-essential Staff to work from home and adopted virtual meeting technologies. In terms of operations, the Service develop its capability to undertake remote assessments and trained its external assessors.

The Service also adopted virtual training delivery and piloted its first virtual training in June 2020.

On international and regional activities, the Service continued to participate in deliberations on issues that impact the harmonization of accreditation policies, guidelines, and standards. The Service attended virtually and contributed at the annual meetings and activities of the International Accreditation Forum (IAF), the International Laboratory Accreditation Cooperation (ILAC), the African Accreditation Cooperation (AFRAC), and the International Organization (ISO).

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As a Board, we restructured and reconstituted Board Committees to align with the new legal statute given the disbandment of the defunct Accreditation Committee, and the enlarged of the membership from seven to nine. As a result, there are now four Committees from the previous two, namely the Technical, Finance, Human Resource, Audit and Risk Committees. And continuing with new practice, the Board held the second edition of its annual strategy review retreat in March 2020.

Overall, for the year under review, and our first ten years, the Service has made significant strides in laying a strong foundation for the next ten years. Just to recall that the Service started off in the year 2010/2011 as a lean organization with only nine (9) Staff and only twelve (12) accredited bodies and internally generated revenue of Kshs 1,044,670. The Staff strength grew to a high of forty (44), internally generated revenue of Kshs 72,170,601 and 187 accredited bodies.

Going forward, as a Board, we aim to spur the Service into greater heights in line with our vision to be “*a symbol of trust in quality, safety and environmental assurance*” a commitment that we continuously aim to achieve through our internationally recognized accreditation activities. The Service will continue to chart new territories – with the support of the parent Ministry and through deepening relationships with clients, various other stakeholders, and other regulatory bodies.

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Finally, I would like to thank most sincerely the Board Committee Chairs, the Board members, and management who, through their commitment and dedication led to the success of the Service in the past year and decade. I also extend much gratitude to the Ministry of Industrialization, Trade and Enterprise Development for readily assisting the Board and the Service when always called upon.



Dr. Nancy N. Muriuki

On behalf of the Chairperson of the Board



## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER

In 2019, the Service celebrated its first decade since establishment; it was a year of much action, but we also witnessed unprecedented challenges of the COVID-19 pandemic. I am pleased to report the progress made and highlight some of the achievements during the year under review

The year 2019/2020 marked some important milestones for the service: At the start of the financial year, the Kenya Accreditation Service Act 2019 was signed into law; The Service also celebrated ten years since its establishment in 2009; And, the Service received approval for its Human Resource Policy Instruments. These milestones coming in during the first quarter of the year set the stage for a remarkably successful year. However, due to the outbreak of COVID-19 pandemic in March 2020, the year recorded moderate results.

Although the overall performance in the first two quarters was in line with expectations, the effect of COVID-19 pandemic curtailed the final year results. In terms of operational performance, the Service recorded a historical increase in the accreditations granted in any given year with eighty (80) accreditations against twenty-eight (28) the previous year. Similarly, the number of applications for accreditation, and extensions of scope doubled from twenty-seven (27) in the previous year to fifty-eight (58) in the year under review. With this result, the cumulative total number of accreditations granted at the end of June 2020 were 187 (one hundred and eighty-seven) accredited bodies from 107 (one hundred and seven) in the preceding year. These results represent a three-fold increase in the number of accredited bodies.

The FY2019/2020 also saw the Service expand the regional reach by accrediting its first client in Ghana and a significant increase in the number of accredited bodies in the United Republic of Tanzania from four (4) to seventeen (17). At the end of the year under review, the accreditation granted by the Service represents 69% of the accreditations in the Kenya market share, the other leading accreditation body being the South Africa National Accreditation System (SANAS) with 26% share. On accreditations granted by the Service to other East Africa Community (EAC) Members States, the Service has a 33% market share. The South African Development Community Accreditation Services (SADCAS) and SANAS combined represent 67% of accreditation in the other EAC Member States.

On the delivery of assessments, the FY 2019/2020 was an exceptionally busy year; for the first time, the Service utilized the highest number of external Assessors, a record number of fifty-one (51) and with a cumulative of 491 assessment days. In the previous year, the Service had utilized only twenty-three (23) external Assessors. The Service also fully engaged all the trained assessment Team Leaders. To keep pace with the demand, in November 2019, the Service sent out a call to recruit additional external assessors and technical experts. However, the training for the short-listed candidates did not take place due to COVID-19 meeting restrictions.

In terms of new initiatives during the year, the Service launched the first edition of the Client Dialogue Forum in December 2019. The principal objective of the Client Dialogue Forum is to assist the Service to enhance its direct communication and contact with its clients. The Forum attended by eighty-six (86) representatives of some sixty-six (66) applicants and accredited bodies, meaning an attendance rate of 48% among accredited bodies. As part of improving and simplifying access to information on accreditation, during the year, the Service was revamped its website giving a consistently new look and feel, upgraded for dynamic use across all devices and integrated accessibility features for persons with disabilities. The launched website has seen increased traffic by 12%.

The Service plays not only a national role but also an international role in promoting the use of accreditation to underpin trust and credibility in everyday products and services, enabling trade for both the private and public sectors. During the year, the Service continued to contribute to regional and international activities in accreditation, conformity assessment and standardization. Uniquely, the Service participated virtually in thirty (30) regional and international meetings of the International Accreditation Forum (IAF), International Laboratory Accreditation Cooperation (ILAC), the African Accreditation Cooperation (AFRAC) and the International Organization for Standardization (ISO).

Key highlights of other achievements made included:

- The development of a new accreditation scheme in medical diagnostic imaging laboratories.
- Training of some forty-four (44) Assessors and Team leaders on remote assessments.
- Delivered twenty of (20) classroom training courses and piloting of the first virtual training course.
- Continued to drive up levels of awareness with thirty-one (31) activities undertaken; and
- Upgraded Service's data centre Servers to operate on Microsoft Windows, implemented enhanced cybersecurity policies, decommissioned, and replaced all Window 7 based hardware (desktops and laptops).

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Finally, the Service saw a marginal increase in total revenue generated by 4% from Kshs 185.3 Million the previous year to Kshs 192.2 million, which had grown by 26% in the FY 2018/2019. The curtailed growth is a result of the COVID-19 pandemic, which led to the cancellation of all on-site assessments and training activities that were to take place in the four months to the end of the reporting year.

In terms of internally generated revenue, there was a marginal decline by Kshs 0.9 Million to Kshs 72.2 million when compared with the previous year's result of Kshs 73.1 Million. And for the second consecutive year, the Service was able to meet all its statutory obligations. The Service extinguished all historical Pending Bills in the previous years and sustained its policy to pay all bills when they fall due.



In FY 2019/2020, the Service also set out on a new strategic journey to align its plan to broadened mandate in its new legal instrument the Kenya Accreditation Service Act 2019. The fourth quarter of the year saw the launch of a new five-year Strategic Plan with a clear focus on growth, further improvement of operations through automation and simplified internal business processes.

Despite the COVID-19 pandemic, we are determined to look ahead. Although the Service made great strides in FY 2019/2020 in terms of expanding accreditation granted within Kenya and the East Africa Community, more remains to be done. Through its new Strategic Plan 2020-2024, the Service will seek to position itself as the go-to accreditation body for the region. To achieve this, the Service will pursue greater improvements across its operations.

A key priority for the FY 2020/2021 that is a result of the opportunities presented by the COVID-19 pandemic is for the Service to implement a digital workplace strategy, a benefit of which will be an improvement in the efficiency of our assessment processes, staff mobility, and overall client service improvement. It can only be possible if we continue with the series of ICT systems enhancements recorded this year.

Looking back at the last ten years, much energy and effort was spent laying down a sound foundation for our accreditation system, and we are proud of these achievements as a Service which makes us more confident and ready to take-off. However, there remains several challenges that Management has identified that lie ahead, such as: how to be more innovative in resource mobilization and seeking funding; how to promote better and leverage the Service international recognition as demanded by our accredited bodies; and how to improve awareness on the role of accreditation to the economy and our contribution to the government's Big Four Agenda.

My special thanks to the Board for their leadership, counsel, and support throughout the year. I wish to thank all our clients and stakeholders who have supported us in the implementation of our mandate. Finally, my thanks to the Management team and Staff for their dedication to the Service's mission and look forward to advancing another year towards our vision to be "a symbol of trust in quality, safety and environmental assurance".

  
**Martin Chesire**  
Chief Executive Officer

## 6. REVIEW OF PERFORMANCE FOR FY 2019/2020

In the FY 2019/2020 performance contract, the focus of Service was on following four core activity areas:

1. Accreditation and assessments
2. Training and knowledge transfer
3. Communication and advocacy on accreditation matters
4. Institutional capacity and governance

The assessment of the Service's performance is done on a quarterly basis by the Board and achievement for FY 2019/2020 indicated in the table below.

Focus Area	Performance Indicator	Unit of Measure	Target	Achievement
<b>Accreditation and assessments</b>	New accredited clients	No.	40	As at the end of the year, at total of 80 new client were granted.
	Conformity assessment bodies assessed	No.	206	Of the target only 141 were carried out, at total of 94 scheduled assessments were cancelled due to COVID-19 pandemic
	Reviewed applications reviewed including extension of scope	No.	50	A total of 58 application for accreditation including application for extensions of accredited scopes, were reviewed
	Accredited Bodies directory maintained on the website and published in the Gazette	%	100%	Through the year the website had an up to date listing of all accredited clients. The annual listing of accredited clients was published gazetted on 25 <sup>th</sup> June 2020.
	New accreditation schemes developed	No.	3	At the end of the year, only one (1) new scheme had advanced to completion
	Participated and contributed to regional and international accreditation fora	%	100%	The Service participation both physically and virtual at all meeting convened by IAF, ILAC and AFRAC. In addition, the Service achieved 100% voting performance by returning all ballot issued.
<b>Training and knowledge transfer</b>	Training Programmes delivered	No.	27	Due to COVID-19 pandemic, only twenty (20) classroom training courses were delivered



Focus Area	Performance Indicator	Unit of Measure	Target	Achievement
	Assessors and Team Leaders Trained	No.	94	Although the target was for newly recruited candidates, given the COVID-19, it was necessary to conduct training for the existing Assessor and Team Leader on remote Assessment. As a result, forty-four (44) were trained.
<b>Communication and advocacy</b>	Advocacy and Awareness programmes organized	%	100%	Thirty-one (31) awareness activities were organized during the year for a variety of stakeholders
	Key international days celebrated	No.	4	The Service hosted the World Accreditation Day on 9 <sup>th</sup> June 2020 virtually. The Service also participated in the celebration of the World Standards Day on 14 <sup>th</sup> October 2019; the World Quality Day on 14 <sup>th</sup> November 2019, and the World Metrology on 20 <sup>th</sup> May 2020.
<b>Institutional capacity and governance</b>	Strategic Plan aligned and finalised	%	100%	The Service launched the development of the Strategic Plan 2020-2024 in March 2020. The Strategic Plan is expected to be completed in the first quarter of FY 2020/2021
	Legal audit and governance undertaken	%	100%	The Service commissioned a legal audit in January 2020 and at the end of the financial year, the Final Draft report was made available. The FY 2020/2021 will see the implementation of its recommendations.
	ICT equipment upgraded or replaced	%	100%	At the end of the FY 2019/2020, the Service achieved 90% renewal of its ICT equipment. The Service decommissioned all window 7 desktop and upgrade its Server to 2019 operating system licences.
	KENAS website redeveloped and launched	%	100%	The Service website was redeveloped and launched in June 2020. The website met all the specification set.

## 7. THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Service (the “Board”) is responsible and accountable to the Government of Kenya, through the Ministry of Industrialization, Trade and Enterprise Development in ensuring that the Service complies with the law and the highest standards of corporate governance as set out in the Mwongozo Code of Governance.

During the year, the Board of the Service operated under two legal instruments, from 1<sup>st</sup> July 2019 up to 1<sup>st</sup> September 2019 under the provisions of paragraph 5 and 6 of the Kenya Accreditation Service Order 2009 (LN. 55 of 2009). Following the commencement of the new legal instrument on 2<sup>nd</sup> September 2019, the Board transitioned to operate under the provisions of Section 7 the Kenya Accreditation Service Act 2019 (Act No. 17 of 2019).

### Board size and composition

The Board of the Service comprised seven members under the Kenya Accreditation Service Order 2009. The Kenya Accreditation Service Act 2019 revised and expanded the membership to nine. During the year under review, there were a total eleven persons who served as Directors at different times, all of whom, except for the Chief Executive Officer and two alternates to the Principal Secretaries, are independent non-executive Directors. Given below is the summary of Directors who served during the FY 2019/2020.

No.	Name	Appointed/Re	Role	Note
1	Dr. Catherine N. Adeya	20-Sep-2018	Chairperson	
2	Dr. Joyce Jefwa	22-Dec-2016	Director, Independent	Retired
3	Dr. Nancy N. Muriuki	17-Mar-2020	Director, Independent	Reappointed
4	Mr. Danson N. Mwangi	14-Nov-2019	Director, Independent	
5	Ms. Mercy W. Warui	13-Jan-2020	Director, Independent	
6	Mr. Alex Gatundu	13-Jan-2020	Director, Independent	
7	Mr. Duncan Nyale	13-Jan-2020	Director, Independent	
8	Ms. Stella Osoro	17-Nov-2015	Director, Alternate to PS the National Treasury	
9	Ms. Hannah M. Kiarie	07-Aug-2018	Director, Alternate to PS State Department for Industrialization	Retired
10	Ms. Lucy Kariuki	29-Jan-2020		
11	Mr. Martin Chesire	19-Mar-2018	Director ex-officio, Chief Executive Officer	

### Board diversity

The Board is constituted by members who possess a broad and diverse range of skills and competencies as provided for in Section 7(1) of the Kenya Accreditation Service Act 2019. The biographic information of each Director is disclosed on pages vii to xi of this report.



In term of Gender distribution, the Board has five female Directors out of the membership of nine Directors, and therefore meets the constitutional threshold of at least a third of the membership is female. Similarly, the age distribution ranges from 36 year to 59 years an average of 49years.

### **Roles and Responsibilities of directors**

The roles and responsibilities of Directors are outlined in the Mwongozo Code of Governance. These roles and responsibilities of Directors are detailed in the Board Charter.

### **Board and Committee structure**

The Board operates under a comprehensive structure made up of committees established to assist it to discharge its responsibilities and oversight obligations efficiently. The committees were established with specific terms of reference, which are regularly reviewed and updated to assist the Board to carry out its functions.

During the year under review, the Board restructured and reconstituted its Committees to align with the *Kenya Accreditation Service Act 2019*. As a result, the Committees included:

- During the period July to December 2019, there were three Committees, namely: Finance, Human Resource and General -Purpose Committee (FHRGPC), Technical Committee (TC) and the Audit and Risk Management Committee (ARMC). The Technical Committee was constituted following the disbandment of the previously autonomous Accreditation Committee on enactment of the new legal statute.
- During the period January to June 2020, the Board restructured further resulting in four Committees, namely the Audit and Risk (ARC), Finance (FIC), Human Resource (HRC) and Technical (TEC).

There are four committees of the Board and each member is appointed to two or three committees. Given below is a summary of the general functions of each Committee, the Chairs, memberships, and the attendance record at Committee meetings.

#### **Audit and Risk Committee (ARC)**

The Audit and Risk Committee (ARC) is responsible for reviewing the accounting policies, financial reporting, and regulatory compliance of the Service. The ARC continually evaluates the effectiveness of risk management programs. The ARC receives reports from internal and external auditors and management's response to the findings. ARC also reviews the overall scope, annual plans for the internal audit function's activities and oversees the alignment of risk management framework and internal audit activities. The committee reviews all key internal audit reports and has regular direct access to the Head of Internal Audit.

Director's Name	Meetings	Attended	% Attended	Remarks
Dr. Joyce Jefwa*	4	4	100%	Retired in Dec-2019
Mr. Alex Gatundu**	3	3	100%	Appointed Jan 2020
Ms. Hannah M. Kiarie	7	5	71%	Retired Mar 2020
Mr. Duncan Nyale	2	2	100%	Appointed Jan 2020
Ms. Stella Osoro	7	5	71%	
Ms. Lucy Kariuki	1	1	100%	Appointed Jan 2020

\* Chair of the Committee from July to December 2019 upon retiring in December 2019

\*\*Chair of the Committee from February 2020

### Finance Committee (FIC)

The Finance Committee (FIC) was constituted in February 2020 from the defunct Finance, Human Resource and General -Purpose Committee (FHRGPC). The FIC plays a role in advising the Board on implementation policies and strategies on all financial management, procurement, and related matters of the Service. The FIC reviews and monitors the implementation and effectiveness of finance and procurement policies, annual objectives, plans, budgets, and reports to ensure effective internal controls and risk management.

Director's Name	Meetings	Attended	% Attended	Remarks
Dr. Nancy N. Muriuki*	4	4	100%	Reappointed Mar 2020
Ms. Mercy W. Warui**	2	2	100%	Appointed Jan 2020
Ms. Stella Osoro	7	7	100%	
Ms. Hannah M. Kiarie	7	2	29%	Retired Mar 2020
Ms. Lucy Kariuki	1	1	100%	Appointed Jan 2020
Mr. Danson N. Mwangi	2	2	100%	Appointed Nov 2019

\* Chair of the Committee from July to December 2019 upon expiry of her term in December 2019

\*\*Chair of the Committee from February 2020

### Human Resource Committee (HRC)

The Human Resource Committee (HRC) was constituted in February 2020 from the defunct Finance, Human Resource and General -Purpose Committee (FHRGPC). The HRC is responsible for advising the Board on implementation policies and strategies on all aspects of human resources and administration. This includes policies, procedures and plans on recruitment, staff development, succession planning, exits and retirement, compensation, pension administration, monitoring performance management, and discipline.

Director's Name	Meetings	Attended	% Attended	Remarks
Mr. Danson N. Mwangi*	4	4	100%	Appointed Nov 2019
Mr. Duncan Nyale	4	4	100%	Appointed Jan 2020
Dr. Nancy N. Muriuki	3	1	33%	Reappointed Mar 2020
Ms. Mercy W. Warui	4	3	75%	Appointed Jan 2020
Ms. Hannah M. Kiarie	4	1	25%	Retired Mar 2020

\*Chair of the Committee from February 2020



### Technical Committee (TEC)

The Technical Committee was established in September 2019 following the disbandment of the Accreditation Committee upon commencement of the new legal statute. TEC is responsible for advising the Board on implementation policies and strategies on all aspects of accreditation operations of the Service. This includes advising on overall policies on accreditation, training, strategy, quality, and related technical aspects of the operational performance of the Service and the Kenya Accreditation Service Act 2019.

Director's Name	Meetings	Attended	% Attended	Remarks
Ms. Hannah M. Kiarie*	2	2	100%	Retired Mar 2020
Mr. Duncan Nyale**	2	2	100%	Appointed Jan 2020
Dr. Joyce Jefwa	2	2	100%	Retired in Dec-2019
Dr. Nancy N. Muriuki	2	2	100%	Reappointed Mar 2020
Mr. Danson N. Mwangi	2	2	100%	Appointed Nov 2019
Mr. Alex Gatundu	2	2	100%	Appointed Jan 2020
Ms. Stella Osoro	4	4	100%	
Ms. Lucy Kariuki	2	2	100%	Appointed Jan 2020

\* Interim Chair of the Committee during September to December 2019

\*\*Chair of the Committee from April 2020

### Board meetings attendance

During the year FY 2019/2020, the Board met ten (10) times, of which seven (7) were regular meetings and three (3) special meetings. As required by the Mwongozo Code of Governance, the Board of Directors dedicated adequate time to discharge its duty in leading the Service effectively.

The attendance record for Board meetings held during the year ended 30<sup>th</sup> June 2020 is presented in Table below.

Director's Name	Meetings	Attended	% Attended	Remarks
Dr. Catherine N. Adeya	10	10	100%	
Dr. Joyce Jefwa	5	4	80%	Retired in Dec 2019
Dr. Nancy N. Muriuki	7	7	100%	Reappointed Mar 2020
Mr. Danson N. Mwangi	6	6	100%	Appointed Nov 2019
Ms. Mercy W. Warui	5	1	20%	Appointed Jan 2020
Mr. Alex Gatundu	5	5	100%	Appointed Jan 2020
Mr. Duncan Nyale	5	5	100%	Appointed Jan 2020
Ms. Stella Osoro	10	8	80%	On Maternity
Ms. Hannah M. Kiarie	8	7	88%	Retired Mar 2020
Ms. Lucy Kariuki	2	2	100%	Appointed Jan 2020
Mr. Martin Chesire	10	9	90%	

## **Director's external activities and Conflict of interest**

The Board members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Service. All transactions with all parties, Directors and/or their related parties are carried out at arm's length.

Each Director is obligated to disclose to the Service such potential conflicts, and to declare any interest at every meeting.

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## **Board Charter and Committee terms of reference**

The Board developed its Charter in 2017. The Charter outlines powers and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, conflict of interest, among others. The Charter is derived from the obligations set out in the *Mwongozo Code Governance*.

During the year, the Board approved the Committee terms of reference for its three newly constituted Committee, namely: Finance (FIC), Human Resource (HRC) and Technical (TEC) Committees.

## **Board remuneration**

The Board is remunerated as provided in Section 27 of the Kenya Accreditation Service Act 2019 and determined by the Salaries and Remuneration Commission. The details of the remuneration of the Board and its committee is presented in these financial statements.

## **Board Evaluation**

As required by the State Corporations Advisory Committee (SCAC) Circular of 2014, the performance of the Board and its Directors is evaluated on a regular basis. During the year, the Board evaluation exercise for the FY 2018/2019 was carried out in February 2020, and for the FY 2019/2020 undertake in July 2020 under the guidance of the SCAC. The results of evaluation of the Board, presented and with areas of improvement noted for action.

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## **External Audit**

The Office of the Auditor General (OAG) is the external auditor of the Service, and the report of the Auditor-General is set out in the financial statement section of this report.



## 8. MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of financial results against the budget

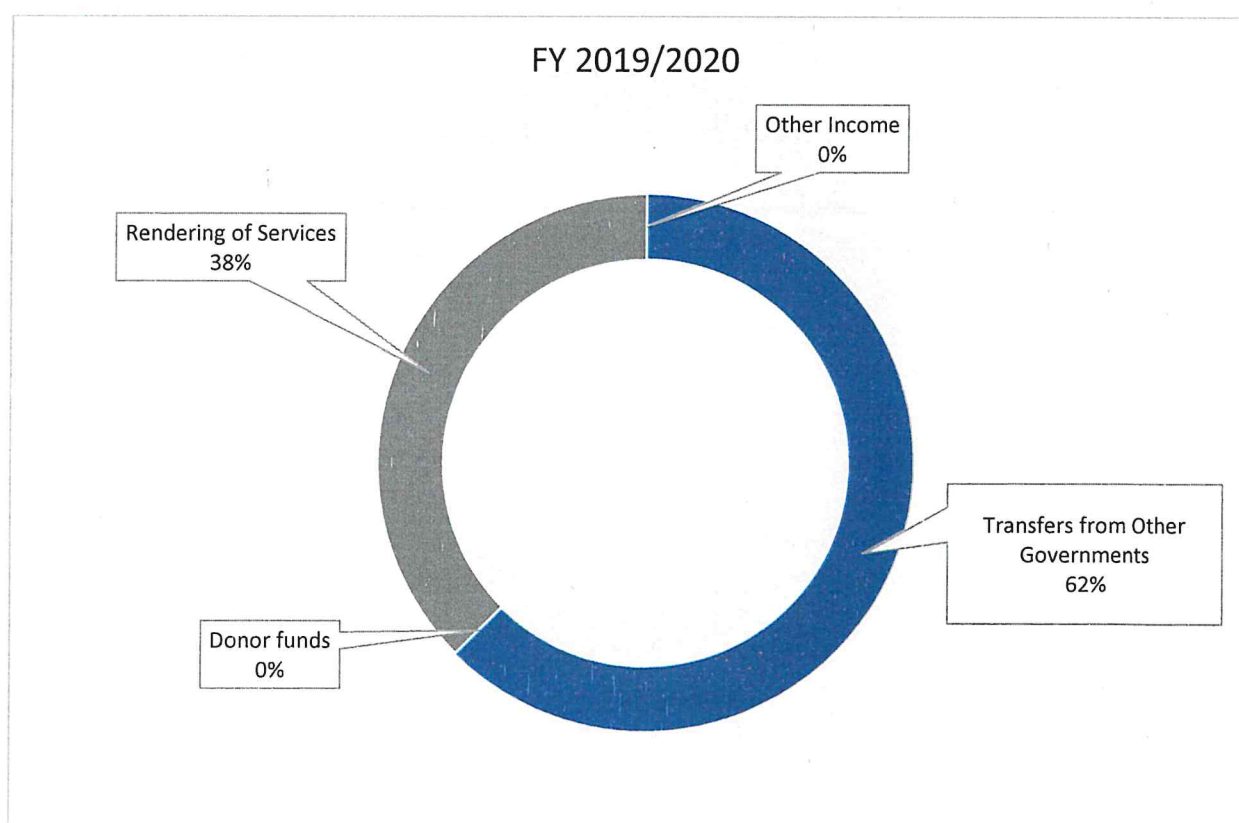
During the year under review, and shown in the table below, the was able to raise 101% of the budgeted revenue. However, there was over utilisation of funds by 104% indicating over expenditure but mostly it is a result of under-provision for depreciation due to acquisition of new ICT assets.

	Budget FY 2019/2020	Actual FY 2019/2020	Utilization
Receipts	189,900,000	192,180,501	101%
Payments	187,212,000	195,536,449	104%

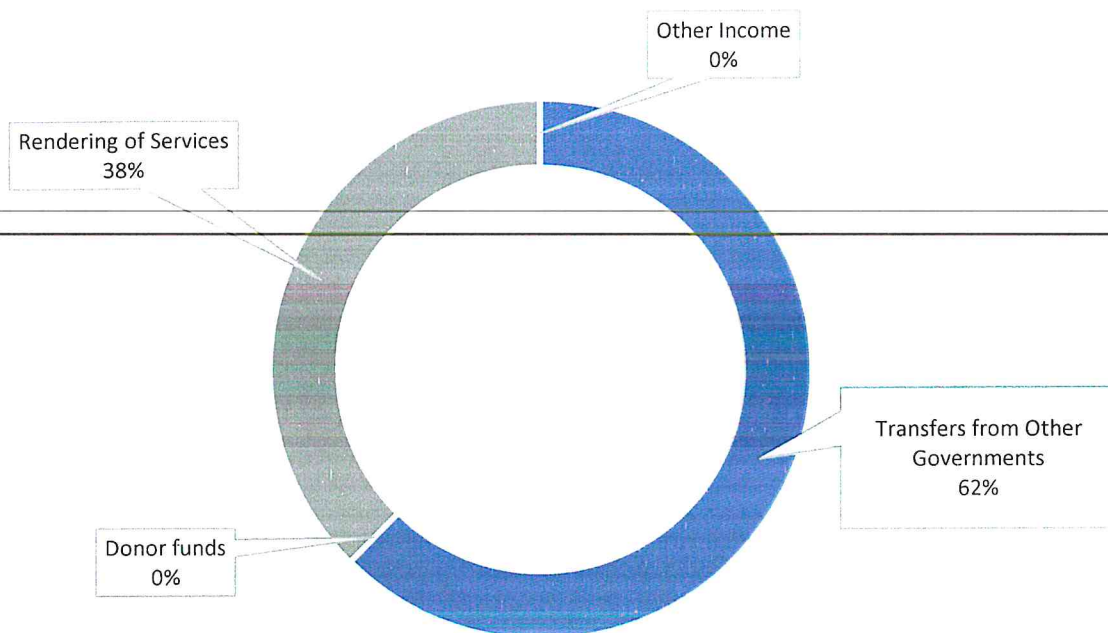
### Receipts

The comparative view of the source of revenue is given in the chart below. It is observed that Government grants and training income were higher than the previous FY 2018/2019. There was a decline in accreditation income and no donor receipts.

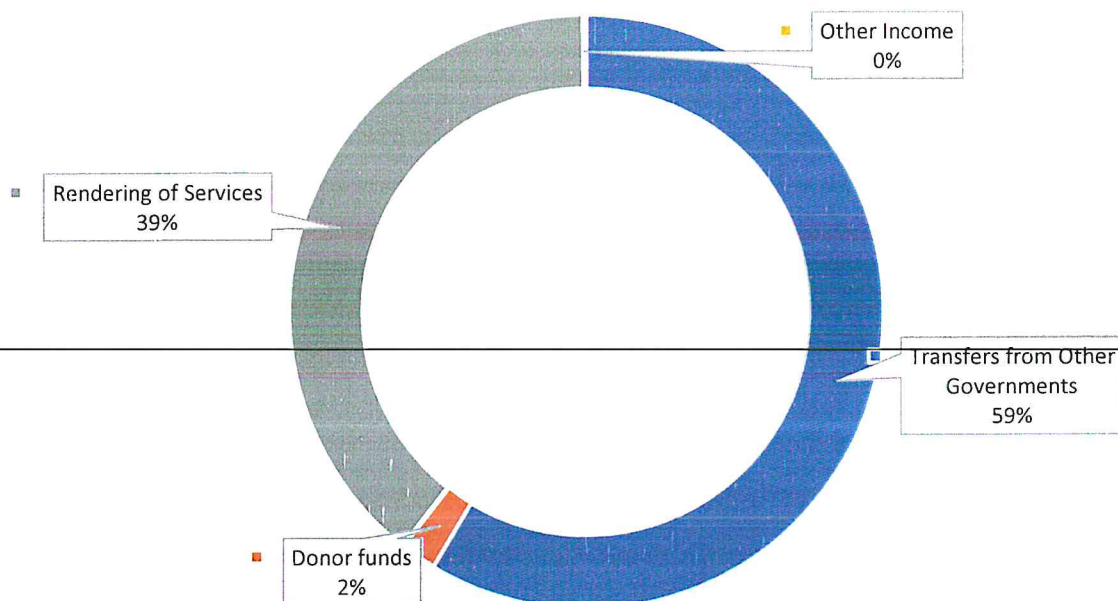
The different source of revenue when compared between FY 2018/2019 and FY 2019/2020, the share of rendering of services income decrease to 38% from 39% while training Transfers from Ministries, departments and agencies increased by 4% as shown in the Charts below. Other income decreased to 0.01%.



FY 2019/2020



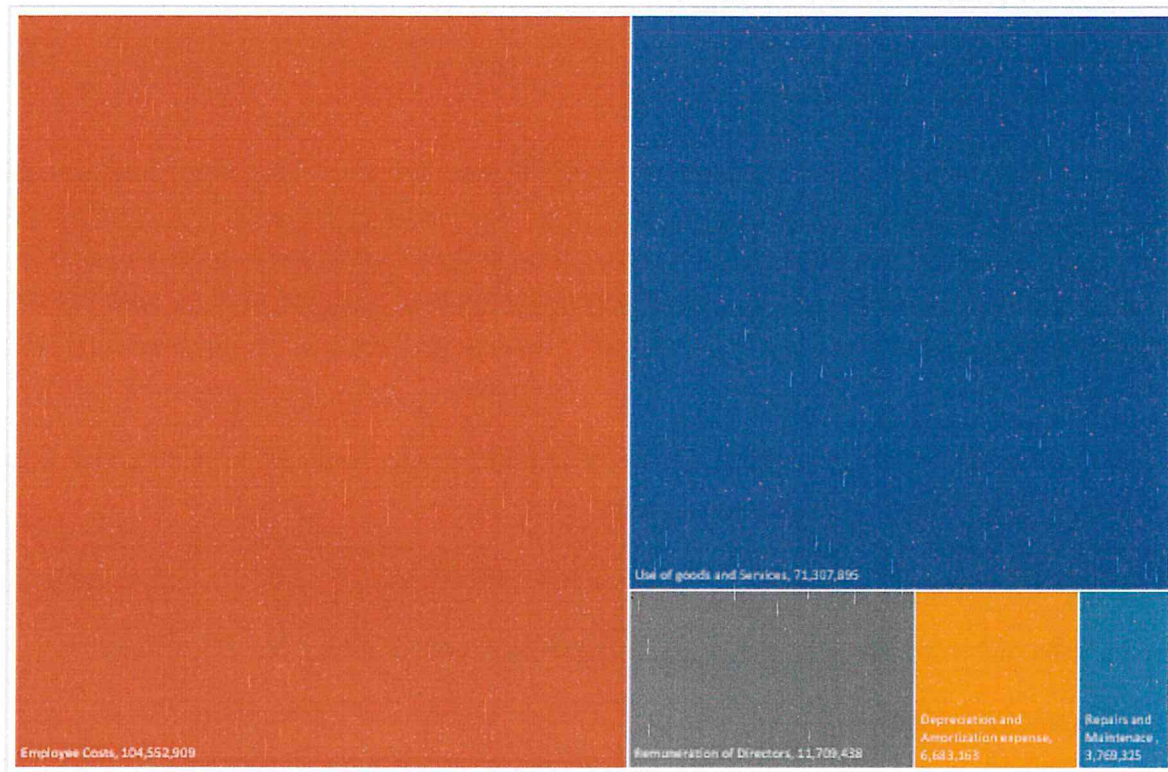
FY 2018/2019



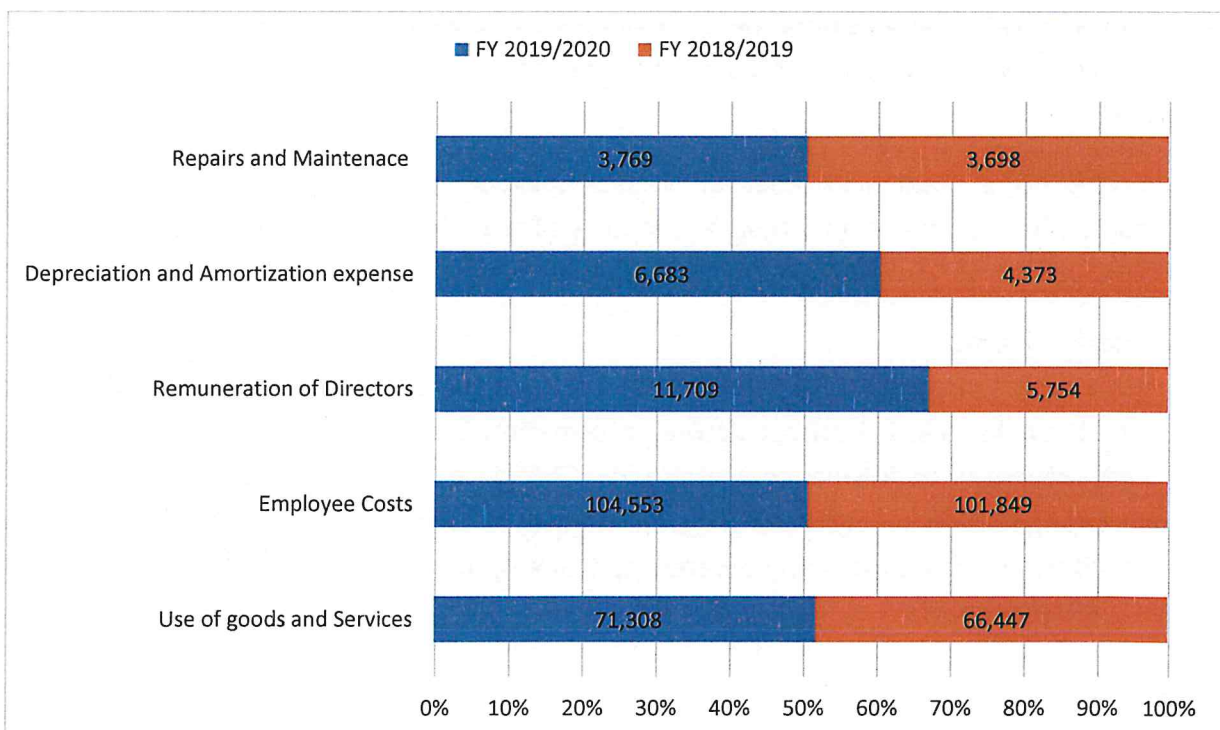


## Payments

At the year ended 30th June 2020, the Service spent the most considerable portion on Personnel Emoluments followed by Administrative costs as shown in the chart below.



In the FY 2019/2020, expenditure in three areas increased, namely, personnel emoluments, contracted services, Board expenses and depreciation as shown in the chart below.



## Deficit for the period

The net financial result for the year ended 30th June 2020 was a deficit amounting to Kshs 5.2 Million. Comparative, in the FY 2018/2019 had a surplus of Kshs 4.9 Million. The deficit is a result of the impact of COVID-19 pandemic and the limited activities undertaken in the final quarter of FY 2019/2020.

## Compliance with Statutory requirements

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In the year ended 30<sup>th</sup> June 2020, the Service complied largely with its new Legal Instrument, the Kenya Accreditation Service Act 2019, given the transitional provision. The Service also complied with other legal requirements such as submission of statutory deductions to the Kenya Revenue Authority (KRA) – PAYE and Withholding tax, National Social security Fund (NSSF), National Health Insurance Fund (NHIF), Higher Education Loans Board (HELB), Pension Contributions, remittance of voluntary Staff deductions for loans and cooperatives.

There are no instances of non-compliance that would lead to financial loss, and there no material arrears in statutory and financial obligations.

## Key projects being implemented

The Service did not have any major project being implemented during the FY 2019/2020.

## Major risks facing the entity

The Service faces two major risks affecting its operational performance.

### Staff capacity

Due to continued exits over the last few years and the moratorium imposed on suspension of recruitment by the Service until the HR policy instruments are implement , the Service now has the low capacity in terms of skills and number of Staff to be able to full deliver its mandate.

The Service hopes that with the full implementation of the Human Resource Policy Instruments, the Service is now able to recruit staff for the positions left vacant in the FY 2020/2021.

### Cybersecurity threats

The Service suffered a cyber-attack in March 2020. As a result, the Service is now continuously mitigating the risks to its ICT Infrastructure, Information Systems, and data by (1) performing scheduled preventive maintenance exercise for ICT infrastructure and network components. (2) undertaking failover tests for all ICT systems and (3) acquiring an external host for disaster recovery sites, and (4) conducting awareness training on cybersecurity for all staff on any current and new threats



**Low revenue growth**

Given the COVID-19 pandemic, the Service did not realize its revenue targets for the year. Should COVID-19 pandemic continue into FY 2020/2021, the Service revenues may be significantly impacted. Also, with its broadened mandate, the Service is not able to deliver on new areas given it and requires addition seed funding. The Service is now addressing this risk by seeking alternative source of funding from development partners operating in the domain of quality infrastructure

## 9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Service is committed to give back to the society and existing a good corporate citizen through meaningful contributions to the environment, social activities and assisting communities in need through collaborations and partnership.

### Environmental

In line with greening Kenya agenda to achieve forest cover of 10% by 2022, in the year under review, the Service was involved two tree planting activities in July 2019 and June 2020. The Service partnered with the State Department for Trade, State Department for Environment, and the National Environment Trust Fund (NETFUND).

The Service contributed a total of KES 350,000 to purchase seedling for the restoration of Kaptagat Forest in Uasin Gishu County. As a result, with the support of the local community, the Service planted a total of 14,000 seedlings during the two tree planting exercises.

### Employee Welfare

The Service regards good health and safety management as an integral element of its business processes. The Service has established an Occupational Health and Safety Committee to lead the initiative of safety proofing our work environment. During the COVID-19, the safety committee was able to ensure that our work environment complied with the respective Ministry of Health protocols and well as adopting the guideline published by the Directorate of Occupational Health and safety. During the COVID-19 period and given the shortage of sanitizers and facemasks, the Service acquired sufficient for all its staff and their immediate family.

### Market place practices-

During the year, and in line with the Access to Government Procurement Opportunities (AGPO) ensured that 30% of contracts were awarded to AGPO suppliers (Women, Youth and Persons with disabilities and the youth).

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### Social Responsibility

The Service did not engage in any social responsibility projects in the year under review.

### Community engagement

The Service did not engage in any community related initiative in the year under review.



## 10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2020 which show the state of the Kenya Accreditation Service (KENAS) affairs.

### Principal activities

The principal activities of the Service continue to be to assess and accredit organizations (both public and private) that provide conformity of assessment services, in line with set criteria based aligned to international standards, rules and guidelines across all economic sectors.

### Results

The results of the Service performance for the year ended 30th June 2020 are set out on page 1 of these financial statements

### Directors

The members of the Board of Directors who served during the year are shown on page (vi) to page (x). During the year two Directors retired in December 2019 and one retired in March 2020, and four new Directors were appointed while one director was re-appointed. The Chairperson of the Board resigned on 3<sup>rd</sup> July 2020.

### Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Kenya Accreditation Service did not make any surplus during the FY 2019/2020, and hence no remittance to the Consolidated Fund.

### Auditors

The Auditor-General is responsible for the statutory audit of the Service under Article 229 of the Constitution of Kenya and the Public Audit Act, 2015 for the FY 2019/2020, ended 30th June 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



**Stephen Kiptinness**  
**KO Associates LLP**  
Acting Corporation Secretary  
Dated 25<sup>th</sup> May 2021

## 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 (PFMA Act, 2012) and Section 31 of the Kenya Accreditation Service Act 2019 (17 of 2019) require the Directors to prepare financial statements in respect of the Kenya Accreditation Service (the "Service") which give a true and fair view of the state of affairs of the at the end of the Financial Year 2019/2020 (FY 2019/2020), and the operating results of the Service for the year. The Directors are also required to ensure that the Service keeps proper accounting records which disclose with reasonable accuracy the financial position of the Service. The Directors are also responsible for safeguarding the assets of the Service.

The Directors are responsible for the preparation and presentation of the Kenya Accreditation Service's financial statements, which give a true and fair view of the state of affairs of the Service for and as at the end of the FY 2019/2020 ended on 30<sup>th</sup> June 2020. This responsibility includes:

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

The Directors accept responsibility for the Service's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kenya Accreditation Service Act, 2019.

The Directors are of the opinion that the Kenya Accreditation Service financial statements give a true and fair view of the state of the Service's transactions during the financial year ended 30<sup>th</sup> June 2020, and of the Service's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Service, which have been relied upon in the preparation of the Service's financial statements as well as the adequacy of the systems of internal financial control.



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

#### Approval of the financial statements

The Kenya Accreditation Service financial statements were approved by the Board on 17<sup>th</sup> September 2020 and signed on its behalf by:



Dr. Nancy N. Muriuki  
On behalf of the Chairperson  
of the Board



Martin Chesire  
Chief Executive Officer



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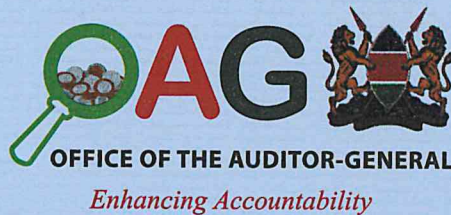
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# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA ACCREDITATION SERVICE FOR THE YEAR ENDED 30 JUNE, 2020**

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

#### **Opinion**

I have audited the accompanying financial statements of Kenya Accreditation Service set out on pages 1 to 32, 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 comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Accreditation Service as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Accreditation Act, 2019 and the Public Finance Management Act, 2012.

#### **Basis of Opinion**

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

#### **Key Audit Matters**

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.

#### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.189,900,000 and actual revenue of Kshs.192,180,501 resulting to a revenue



surplus of Kshs.2,280,501. Similarly, the statement reflects an expenditure budget of Kshs.189,900,000 and an actual expenditure of Kshs.198,022,730 resulting to an over expenditure of Kshs.8,122,730. The over expenditure mainly occurred under remuneration of Directors with an actual expenditure of Kshs.11,709,438 against the budgeted expenditure of Kshs.4,252,000. An over expenditure also occurred under development expenditure with an actual expenditure of Kshs.6,802,775 against a Nil budgeted expenditure. However, no evidence was provided to confirm whether authority was sought from the parent Ministry and The National Treasury for the budget reallocation and over-expenditure.

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

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### 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.

### Basis for Conclusion

#### Non-Implementation of E-Procurement as per Government Directives

The Service has not linked its Enterprise Resource Planning (ERP) with the Integrated Finance Management Information System (IFMIS) as directed through The National Treasury Circular No.19/15 of 18 December, 2015 which required State Corporations to ensure that capital projects are captured in the Plan-to-Budget in IFMIS and e-ProMIS as appropriate. Further, contrary to Executive Order No.6 of 2015 and Executive Order No.2 of 2018, the Service had not fully implemented e-procurement and continues to undertake its procurements manually.

The Management was in breach of the guidelines.

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

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## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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### 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.



## **Basis for Conclusion**

### **Information Technology (IT Environment)**

The Service does not have an approved Information Technology (IT) Strategic Plan that supports operation requirements of the Service such as training program to build IT capacity, documented and approved processes to manage and upgrade system changes made to all information systems. Lack of an approved Information Technology Strategic Plan may expose the Service to the risk of non-alignment of IT operations with the overall business strategy. This may also lead to information security and systems development flaws due to lack of direction on information system matters.

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.

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

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

In preparing the financial statements, Management is responsible for assessing the Service's ability to 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 Service or to cease operations.

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

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

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

## Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
-



- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue 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 Service to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Service to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

02 December, 2021

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### 13. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30<sup>th</sup> June 2020

		2019-2020	2018-2019
Revenue	Note	Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Public Contributions and Donations	6	-	3,607,302
Transfers from Other Governments	7	120,000,000	108,651,816
		<b>120,000,000</b>	<b>112,259,118</b>
<b>Revenue from exchange transactions</b>			
Rendering of Services	8	72,170,601	72,874,704
Other Income	9	9,900	198,890
<b>Total Revenue</b>		<b>192,180,501</b>	<b>185,332,712</b>
<b>Expenses</b>			
Use of goods and Services	10	71,307,895	66,446,515
Employee Costs	11	104,552,909	101,848,745
Remuneration of Directors	12	11,709,438	5,753,659
Depreciation and Amortization Expense	13	6,683,163	4,372,550
Repairs and maintenance	14	3,769,325	3,698,080
<b>Total expenses</b>		<b>198,022,730</b>	<b>182,119,549</b>
<b>Other gains/(losses)</b>			
Gain on Sale of Assets	15	7,238	1,096,157
Gain on Foreign exchange transactions		664,958	690,658
<b>Surplus/(Deficit) for the year</b>		<b>(5,170,033)</b>	<b>4,999,978</b>
Remission to the National Treasury		0	0
<b>Net Deficit for the year</b>		<b>(5,170,033)</b>	<b>4,999,978</b>

The notes set out on pages 7 to 31 form an integral part of these Financial Statements.

## 14. STATEMENT OF FINANCIAL POSITION

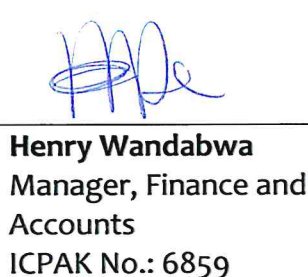
As at 30<sup>th</sup> June 2020

		2019-2020	2018-2019
Assets	Note	Kshs	Kshs
<b>Current assets</b>			
Cash and cash equivalents	16	499,440	6,531,475
Receivables from exchange transactions	17	33,715,769	32,495,550
Receivables from non-exchange transactions	18	4,187,084	2,406,885
		38,402,293	41,433,910
Inventories	19	506,535	433,368
		<b>38,908,828</b>	<b>41,867,278</b>
<b>Non-current assets</b>			
Property, plant, and equipment	20	11,364,915	10,986,884
Intangible assets	21	6,196,833	6,579,596
		<b>17,561,748</b>	<b>17,566,480</b>
<b>Total assets</b>		<b>56,470,576</b>	<b>59,433,758</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	22	27,612,013	27,388,156
<b>Total liabilities</b>		<b>27,612,013</b>	<b>27,388,156</b>
<b>Net assets</b>		<b>28,858,563</b>	<b>32,045,602</b>
Reserves	23	16,030,515	16,030,515
Retained earnings	23	(17,171,952)	(13,984,913)
Capital Funds	23	30,000,000	30,000,000
<b>Total net assets and liabilities</b>		<b>28,858,563</b>	<b>32,045,602</b>

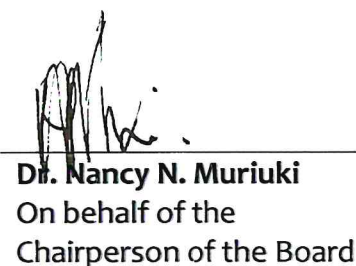
The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
**Martin Chesire**  
Chief Executive Officer

Date :25<sup>th</sup> May 2021

  
**Henry Wandabwa**  
Manager, Finance and  
Accounts  
ICPAK No.: 6859

Date :25<sup>th</sup> May 2021

  
**Dr. Nancy N. Muriuki**  
On behalf of the  
Chairperson of the Board

Date :25<sup>th</sup> May 2021



## 15. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30<sup>th</sup> June 2020

	Revaluation reserve Kshs	Retained earnings Kshs	Capital/ Developme nt Grants/ fund Kshs	Total Kshs
<b>At 1<sup>st</sup> July 2018</b>	<b>12,850,000</b>	<b>(22,750,142)</b>	<b>30,000,000</b>	<b>20,099,858</b>
Revaluation Gain	3,180,515	-	-	3,180,515
Adjustments for the year	-	3,765,251	-	3,765,251
Surplus/(Deficit) for the year	-	4,999,978	-	4,999,978
<b>At 30<sup>th</sup> June 2019</b>	<b>16,030,515</b>	<b>(13,984,913)</b>	<b>30,000,000</b>	<b>32,045,602</b>
<b>At 1<sup>st</sup> July 2019</b>	<b>16,030,515</b>	<b>(13,984,913)</b>	<b>30,000,000</b>	<b>32,045,602</b>
Revaluation Gain	-	-	-	-
Adjustments for the year-Note23	-	1,982,994	-	1,982,994
Surplus/(Deficit) for the year	-	(5,170,033)	-	(5,170,033)
<b>At 30<sup>th</sup> June 2020</b>	<b>16,030,515</b>	<b>(17,171,952)</b>	<b>30,000,000</b>	<b>28,858,563</b>

## 16. STATEMENT OF CASH FLOWS

For the year ended 30<sup>th</sup> June 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public Contributions and Donations	6	-	3,607,302
Transfers from Ministries, Departments & Agencies	7	120,000,000	108,651,816
Rendering Services	8	72,170,601	72,874,704
Other Incomes	9	9,900	198,890
<b>Total receipts</b>		<b>192,180,501</b>	<b>185,332,712</b>
<b>Payments</b>			
Compensation of Employees	11	104,552,909	101,848,745
Goods and Services	10	53,807,863	51,381,202
Rent paid	10	17,500,032	15,065,313
Other Payments	12/14	22,161,926	13,824,288
<b>Total payments</b>		<b>198,022,730</b>	<b>182,119,548</b>
		<b>(5,842,229)</b>	<b>3,213,164</b>
<b>Adjustment for:</b>			
Change in Inventories	19	(73,167)	66,217
Change in Trade and other receivables	17 & 18	(3,000,418)	4,914,827
Change in Trade and other payables	22	223,857	(27,538,397)
Changes in retained earnings	23	1,982,994	3,765,251
Change in Depreciation and amortization	20 & 21	6,670,825	4,372,550
Adjustment for VAT for prior year Work in Progress		52,082	-
Gain on Sale of Assets	15	7,238	1,096,157
Gain on Foreign exchange		664,958	690,658
<b>Net cash flows from operating activities</b>		<b>686,140</b>	<b>(9,419,573)</b>
<b>Cashflows from investing activities</b>			
Purchase of Property, plant, equipment and Intangible assets	20 & 21	(6,802,775)	(2,111,033)
Proceeds from sale of Property, Plant and Equipment	20	84,600	495,473
Investment Property		-	(377,700)
<b>Net Cash flows used in investing activities</b>		<b>(6,718,175)</b>	<b>(1,993,260)</b>
<b>Cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(6,032,035)</b>	<b>(11,412,833)</b>
Cash and cash equivalents at 1 <sup>st</sup> July 2019		6,531,475	17,944,308
<b>Cash and cash equivalents at 30<sup>th</sup> June 2020</b>		<b>499,440</b>	<b>6,531,475</b>

The notes set out on pages 7 to 31 form an integral part of these Financial Statements.



**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

	Original Budget (Kshs)	Adjustment (Kshs)	Final Budget (Kshs)	Actual on comparable basis (Kshs)	Performance Difference (Kshs)	Budget Note
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	
Government grants and subsidies	110,000,000	10,000,000	120,000,000	120,000,000	-	
Rendering of Services	69,900,000	-	69,900,000	72,170,601	2,270,601	a)
Other income	-	-	-	9,900	9,900	
<b>Total income</b>	<b>179,900,000</b>	<b>10,000,000</b>	<b>189,900,000</b>	<b>192,180,501</b>	<b>2,280,501</b>	
<b>Expenses</b>						
Use of Goods and Services	46,690,998	10,356,980	57,047,978	53,807,863	3,240,115	(b)
Employee costs	105,356,980	-756,980	104,600,000	104,552,909	47,091	
Remuneration of Directors	4,252,000	-	4,252,000	11,709,438	-7,457,438	(c)
Rent paid	17,560,022	-	17,560,022	17,500,032	59,990	
Depreciation and Amortization	2,670,000		2,670,000	6,683,163	-4,013,163	(d)
Repairs and Maintenance	3,370,000	400,000	3,770,000	3,769,325	675	
<b>Total expenditure</b>	<b>179,900,000</b>	<b>10,000,000</b>	<b>189,900,000</b>	<b>198,022,730</b>	<b>-8,122,730</b>	
Gain on sale of assets	-	-	-	7,238	7,238	
Gain on Foreign exchange Transaction	-	-	-	664,958	664,958	
Surplus/(deficit) for the year	-	-	-	-5,170,033	-5,170,033	
<b>Development Expenditure</b>	<b>-</b>		<b>-</b>	<b>6,802,775</b>	<b>-6,802,775</b>	<b>(e)</b>

**Kenya Accreditation Service (KENAS)  
Annual Report and Financial Statements  
for the year ended 30<sup>th</sup> June 2020**

**Budget Notes:**

**a) Rendering of services income- Kshs 2,270,601**

There were higher number of trainings and international assessments during the financial year and hence the higher income.

**b) Use of Goods and Services- Kshs 3,240,115**

The variance in expenditure on goods and services was due to the effects of covid19 pandemic. As part of precautionary measures, engagements, accreditation assessments and training activities requiring travel outside Nairobi were suspended effective 23<sup>rd</sup> March 2020. About 94 planned assessments and trainings were suspended, hence the under expenditure.

**c) Remuneration of Directors-Kshs 7,457,438**

The higher expenditure was due to following that occurred during the Financial year;

- Vacancies on the board of directors which were filled during the Financial year.
- Induction and trainings for the new members.
- Implementation of the Kenya Accreditation Service Act 2019

**d) Depreciation and Amortization- Kshs 4,013,163**

The negative variance was due to under provision for depreciation due to budget shortfalls.

**e) Development Expenditure Kshs. 6,802,775**

The negative variance was because the Government did not fund development expenditure and hence was financed from A-i-A



## 18. NOTES TO FINANCIAL STATEMENTS

For the year ended 30<sup>th</sup> June 2020

### 1. GENERAL INFORMATION

The Kenya Accreditation Service is established by and derives its authority and accountability from the Kenya Accreditation Service Act 2019 (Act No. 17 of 2019). It is the successor to the former Service established under the Kenya Accreditation Service Order 2009 (LN. 55 of 2009).

The Service is a State Corporation wholly owned by the Government of Kenya and is domiciled in Kenya reporting to the State Department for Industrialization under the Ministry of Industrialization, Trade and Enterprise Development. The principal activity of the Service is to assess and accredit organizations (both public and private) that provide conformity of assessment services in line with set criteria based aligned to international standards, rules and guidelines across all sectors of the economy.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Service's financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value, impaired assets at their estimated recoverable amounts at their present value. The financial statements are prepared on accrual basis.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Service's accounting policies. There are no areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Service.

The financial statements have been prepared in accordance with the PFM Act 2012, the Kenya Accreditation Service Act 2019, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

- (i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
<b>IPSAS 40: Public Sector Combinations</b>	<p><b>Applicable: 1<sup>st</sup> January 2019</b></p> <p>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.</p>
	<p><i>Upon evaluation of this amended standard by the Service, the effect on the financial statements is nil, and therefore the standard does not apply to the Service.</i></p>

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

Standard	Effective date and impact:
<b>IPSAS 41: Financial Instruments</b>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 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 for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42: Social Benefits</b>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial</p>



Standard	Effective date and impact:
	<p>statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position, and cash flows.</li> </ul>
<p><b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b></p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>(a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>(b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>(c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>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.</p>
<p><b>Other Improvements to IPSAS</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>(a) 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</li> <li>(b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</li> <li>(c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope</li> </ul>

Standard	Effective date and impact:
	of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.
	(d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).
	Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

(iii) **Early adoption of standards**

The Service did not early-adopt any new or amended standards in the year 2020.

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

a) **Revenue recognition**

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

**Transfers from Ministries, Departments and Agencies**

The Service recognizes revenues from non-exchange transactions with other government entities are measured at fair value and on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Service and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**Donor Income**

Donor and other development Agencies funds are recognized at fair value when there is reasonable assurance that the Service will comply with the conditions attaching to them and the funds will be received. The Service recognizes funds or grants from Donors and other development Agencies are treated as donor fund income in the income statement.

**Fees, taxes, and fines**

The Service recognizes revenues from fees when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential



associated with the asset will flow to the Service and the fair value of the asset can be measured reliably.

## **(ii) Revenue from exchange transactions**

### **Rendering of Services**

The Service recognizes revenue from rendering of accreditation and training services when it accrues, and by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

## **b) Budget information**

The original budget for FY 2019/2020 was approved by the National Assembly as presented in the printed Estimates. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Service upon receiving the respective approvals to conclude the final budget. Accordingly, the Service recorded additional appropriations of Kshs 10 Million on the FY 2019/2020 budget.

The Service's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Section 17 of these financial statements.

### **c) Taxes**

#### **Current income tax**

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The Service is exempt from corporate tax vide PFMA Regulation No. 34 of 2015. The Service will however be required to submit ninety percent (90%) of its surplus to the National Treasury.

#### **Sales tax**

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the Kenya Revenue Authority (KRA) is included as part of receivables or payables in the statement of financial position.

### **d) Property and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Service recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

- |                          |       |
|--------------------------|-------|
| • Furniture and Fittings | 12.5% |
| • Motor Vehicles         | 25%   |
| • Computers and Software | 33.3% |



Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are considered in determining surplus for the year.

**e) Leases**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Service. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**f) Intangible assets**

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

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

**g) Financial instruments**

**Financial assets**

***Initial recognition and measurement***

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 Service determines the classification of its financial assets at initial recognition.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Service has the positive intention and ability

to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

#### ***Impairment of financial assets***

The Service assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Service of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

#### **Financial liabilities**

##### ***Initial recognition and measurement***

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

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

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##### ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.



## **h) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Service.

## **i) Provisions**

Provisions are recognized when the Service 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.

Where the Service expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

## **Contingent liabilities**

The Service 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 assets**

The Service 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 Service in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an 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.

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### **j) Nature and purpose of reserves**

The Service creates and maintains reserves in terms of specific requirements. The Service maintains the retained reserves which are meant to be utilized to fund the mandate of the Service.

### **k) Changes in accounting policies and estimates**

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

### **l) Employee benefits**

#### **Retirement benefit plans**

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

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The Service and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the contributions made by the Service are charged to the statement of comprehensive income in the year to which they relate. Employees' entitled to annual leave are charged to the Income Statement as they fall due.

#### **Gratuity obligations**

The Service pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity are recognized when they accrue to employees. A



provision for gratuity payable is made in the statement of financial position. The gratuity is not subject to actuarial valuation.

**m) 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.

**n) Related parties**

The Service 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 Service, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**o) Cash and cash equivalents**

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

**p) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. During the FY 2019/2020, the Service reclassified by aggregation of its expenditure items to align with the National Treasury Budget Circular No. 12/2019 dated 31<sup>st</sup> July 2019.

**q) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2020.

## 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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### Estimates and assumptions

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, are described below. The Service based its assumptions and estimates on parameters available when the consolidated 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 the Service. Such changes are reflected in the assumptions when they occur.

### Useful lives and residual values

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

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

### Provisions

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Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.



### Provision for bad debts

The Service's policy is to assess the impairment of individual debts on an annual basis and provide for each of them based on the prevailing circumstances. Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the end of the year. Bad debts are written off when all reasonable steps to recover them have failed.

## 6. PUBLIC CONTRIBUTIONS AND DONATIONS

	2020 Kshs	2019 Kshs
PTB Sponsorship	-	3,458,332
Sponsorship-IAF	-	148,970
<b>Total Public Contributions and Donations</b>	<b>-</b>	<b>3,607,302</b>

These are donations from our sponsors (International Accreditation Forum(IAF) and Physikalisch Technische Bundesanstalt(PtB). The Organisation did not receive any donations during the year under review.

## 7. TRANSFERS FROM OTHER GOVERNMENTS

Name of the Entity sending the Grants	Amount recognised to statement of comprehensive income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital Kshs	Total Income during the year Kshs	FY 2019/2020 Kshs
Ministry of Industrialisation, Trade and Enterprise Development	120,000,000	-	-	120,000,000	108,651,816

## 8. RENDERING OF SERVICES

	2020 Kshs	2019 Kshs
<b>(i): Accreditation Income</b>		
Accreditation Fees-Testing and Calibration	10,123,418	15,450,986
Accreditation Fees-Health and Safety	30,194,103	23,710,559
Accreditation Fees-Inspection and Verification	1,242,044	4,864,852
Accreditation Fees-Certification	2,013,822	3,793,721
	<b>43,573,387</b>	<b>47,820,118</b>
<b>(ii): Training Income</b>		
Training Income-Testing and Calibration	9,645,050	8,327,335
Training Income-Health and Safety	1,300,960	2,147,040
Training Income-Inspection and Verification	1,943,840	467,850
Training Income-Certification	1,494,400	800,000
	<b>14,384,250</b>	<b>11,742,225</b>
(iii): Facilitation Income	14,212,964	13,312,361
<b>Total Revenue from Rendering of Services</b>	<b>72,170,601</b>	<b>72,874,704</b>

## 9. Other Income

	2020 Kshs	2019 Kshs
Sale of Obsolete Items	9,900	-
AFRAC Registration Fees	-	198,890
<b>Total Other Income</b>	<b>9,900</b>	<b>198,890</b>

## 10. USE OF GOODS AND SERVICES

	2020 Kshs	2019 Kshs
Electricity	740,290	695,378
Water	147,410	151,986
Professional services	5,161,548	1,603,288
Subscriptions	604,822	687,632
Advertising	358,744	2,217,816
Audit Fees	406,000	350,000
Conferences and Delegations	687,300	3,493,435
Consumables	2,296,030	1,385,759
Fuel and Oil	2,154,506	2,042,429
Insurance	1,743,756	1,423,655



Legal expenses	3,825,500	240,940
Postage	484,114	159,168
Printing and stationery	1,175,557	1,088,020
Hire charges	828,208	299,191
Rental	17,500,032	15,065,313
Telecommunication	1,012,587	860,505
Training	839,036	958,341
Accreditation Expenses	24,994,708	26,886,425
Other General Expenses	6,347,747	6,837,234
<b>Total Use of goods and Services</b>	<b>71,307,895</b>	<b>66,446,515</b>

#### **11. EMPLOYEE COSTS**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and Wages	84,002,524	81,699,021
Employee related costs	11,064,626	11,040,408
Travel, Motor Car, accommodation, subsistence and other allowances	9,485,759	9,109,316
<b>Total Employee Costs</b>	<b>104,552,909</b>	<b>101,848,745</b>

#### **12. REMUNERATION OF DIRECTORS**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Chairman's Honoraria	1,010,000	721,333
Directors Emoluments	10,699,438	5,032,326
<b>Total Board expenses</b>	<b>11,709,438</b>	<b>5,753,659</b>

#### **13. DEPRECIATION AND AMORTIZATION EXPENSE**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant and equipment	3,490,663	4,097,346
Intangible Assets	3,192,500	275,204
<b>Total Depreciation and Amortization</b>	<b>6,683,163</b>	<b>4,372,550</b>

#### 14. REPAIRS & MAINTENANCE

	2020	2019
	Kshs	Kshs
Prpoerty	758,069	187,061
Equipment and Machinery	86,828	347,541
Vehicle	2,795,152	3,136,278
Computer and Accessories	129,276	27,200
<b>Total Repairs and Maintenance</b>	<b>3,769,325</b>	<b>3,698,080</b>

#### 15. GAINS ON SALE OF ASSETS

	2020	2019
	Kshs	Kshs
Property Plant and Equipment	7,238	1,096,157
<b>Total Gains on sale of assets</b>	<b>7,238</b>	<b>1,096,157</b>

#### 16. (a) CASH AND CASH EQUIVALENTS

	2020	2019
	Kshs	Kshs
Credit card account (KES)	247,462	263,420
Dollar account (USD)	251,978	6,268,055
<b>Total cash and cash equivalents</b>	<b>499,440</b>	<b>6,531,475</b>

#### (b) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Financial Institution	2020	2019
	Kshs	Kshs
a) Current account (KES)		
Kenya Commercial Bank - 1123414459	-	-
b) Current account (USD)		
Kenya Commercial Bank - 1125916923	251,978	6,268,055
c) Credit card account (KES)		
Kenya Commercial Bank - 5566302000004072	247,462	263,420
<b>Grand Total</b>	<b>499,440</b>	<b>6,531,475</b>



## 17. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2020 Kshs	2019 Kshs
Current receivables		
Trade Debtors	33,715,769	32,495,550
<b>Total Current Receivables</b>	<b>33,715,769</b>	<b>32,495,550</b>

## 18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2020 Kshs	2019 Kshs
Other Debtors	4,187,084	2,406,885
<b>Total Current Receivables</b>	<b>4,187,084</b>	<b>2,406,885</b>

## 19. INVENTORIES

	2020 Kshs	2019 Kshs
Consumable stores	506,535	433,368
<b>Total inventories at the lower of cost and net Realisable value</b>	<b>506,535</b>	<b>433,368</b>

## 20. PROPERTY, PLANT AND EQUIPMENT

	Office partitioning Kshs (5 YRS.)	Motor vehicles Kshs	Furniture & equipment Kshs	Computer hardware Kshs	Capital Work In Progress Kshs	TOTAL Kshs
<b>Cost</b>						
At 1st July 2018	22,597,180	12,850,000	10,739,416	8,114,182	-	54,300,778
Additions	-	-	492,122	796,120	377,700	1,665,942
Disposals	-	(1,670,000)	(9,289,451)	(2,428,698)	-	(13,388,149)
Adjustments	3,390,575	-	1,991,569	133,000	-	5,515,144
<b>At 30th June 2019</b>	<b>25,987,755</b>	<b>11,180,000</b>	<b>3,933,656</b>	<b>6,614,604</b>	<b>377,700</b>	<b>48,093,715</b>
At 1st July 2019	25,987,755	11,180,000	3,933,656	6,614,604	377,700	48,093,715
Additions	-	-	1,352,885	3,643,871	(325,604)	4,671,152
Disposals	-	-	(84,600)	-	(52,096)	(84,600)
Adjustments	-	-	14	-	-	(52,082)
<b>At 30th June 2020</b>	<b>25,987,755</b>	<b>11,180,000</b>	<b>5,201,955</b>	<b>10,258,475</b>	<b>-</b>	<b>52,628,185</b>
<b>Depreciation/Amortization</b>						
At 1st July 2018	22,597,180	6,842,498	8,115,866	5,955,476	-	43,511,020
Disposals	-	(1,252,500)	(7,235,515)	(2,070,030)	-	(10,558,045)
Adjustments	-	-	-	-	-	-
Charge for the Year	56,510	2,795,000	236,799	1,065,547	-	4,153,856
<b>At 30th June 2019</b>	<b>22,653,690</b>	<b>8,384,998</b>	<b>1,117,150</b>	<b>4,950,993</b>	<b>-</b>	<b>37,106,831</b>
At 1st July 2019	22,653,690	8,384,998	1,117,150	4,950,993	-	37,106,831



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	Office partitioning Kshs (5 YRS.)	Motor vehicles Kshs 0.25	Furniture & equipment Kshs 0.25	Computer hardware Kshs 0.33	Capital Work In Progress Kshs 0.33	TOTAL Kshs
Cost						
Disposals	-	-	(12,338)	-	-	(12,338)
Charge for the Year	678,115	1,397,500	500,594	1,592,209	-	4,168,778
AS at 30th June 2020	23,331,805	9,782,498	1,605,765	6,543,202	-	41,263,270
<b>Net Book Values</b>						
As at 30th June 2020	2,655,950	1,397,502	3,596,190	3,715,273	-	11,364,915
As at 30th June 2019	3,334,065	2,795,002	2,816,506	1,663,611	377,700	10,986,884

## 21. INTANGIBLE ASSETS- SOFTWARE

	Software Kshs	Total Kshs
<b>Cost</b>	<b>33.3%</b>	
At 1st July 2018	2,034,409	2,034,409
Additions	6,798,291	6,798,291
Disposals	-	-
<b>At 30th June 2019</b>	<b>8,832,700</b>	<b>8,832,700</b>
At 1st July 2019	8,832,697	8,832,697
Additions	2,131,623	2,131,623
Disposals	-	-
<b>At 30th June 2020</b>	<b>10,964,321</b>	<b>10,964,321</b>
<b>Depreciation/Amortization</b>		
At 1st July 2018	2,034,409	2,034,409
Charge for the Year	218,694	218,694
<b>At 30th June 2019</b>	<b>2,253,103</b>	<b>2,253,103</b>
At 1st July 2019	2,253,103	2,253,103
Charge for the Year	2,514,385	2,514,385
<b>At 30th June 2020</b>	<b>4,767,488</b>	<b>4,767,488</b>
<b>Net Book Values</b>		
<b>As at 30th June 2020</b>	<b>6,196,833</b>	<b>6,196,833</b>
<b>As at 30th June 2019</b>	<b>6,579,596</b>	<b>6,579,596</b>
<b>As at 30th June 2018</b>	<b>2,579,596</b>	<b>2,579,596</b>

## 22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2020 Kshs	2019 Kshs
Trade payables	2,648,875	595,359
Customer Receipts in Advance	17,642,571	11,362,655
Third party payments	3,578,349	1,934,005
Other payables	3,523,577	6,405,117
KCB Current Account (KES)	218,641	7,091,020
<b>Trade and other payables exchange transactions</b>	<b>27,612,013</b>	<b>27,388,156</b>



## 23. CAPITAL FUND

(a)	2020 Kshs	2019 Kshs
<b>(i) Reserves</b>		
Balance as at 1st July	16,030,515	12,850,000
Revaluations	0	3,180,515
<b>Total Reserves</b>	<b>16,030,515</b>	<b>16,030,515</b>
<b>(ii) Retained earnings</b>		
Balance as at 1st July	(13,984,913)	(22,750,142)
Change for the year	1,982,994	3,765,251
Surplus (Deficit) for the year	(5,170,033)	4,999,978
<b>Total Accumulated serve</b>	<b>(17,171,952)</b>	<b>(13,984,913)</b>
<b>(iii) Capital Fund</b>		
Balance as at 1st July	30,000,000	30,000,000
Government Grants Capital Development	-	-
<b>Total Capital Funds</b>	<b>30,000,000</b>	<b>30,000,000</b>
<b>Total Reserves</b>	<b>28,858,563</b>	<b>32,045,602</b>

(b) The Kshs 1,982,994 adjustments in the financial year relates to reversals and write offs for provision for leave, accrued invoices for 2018-2019 which did not materialize as payables.

Description	Amount Kshs
Invoices for 2018-2019	(839,960.35)
VAT on invoies for 2018-2019	242,719.98
Staff claims for 2018-2019	(105,590.00)
Correction of customer account balance 2018-2019	37,245.68
Write offs for leave and provision for general supplies for 2018-2019	2,635,256.03
Correction of customer account balance 2018-2019	13,322.66

Refer to Note 25 of the Financial Statements on the changes in net assets.

Capital Fund refers to accumulated Government Development Grants received over the years, and Accumulated surplus relates to accumulated surplus/deficit over the years.

## 24. FINANCIAL RISK MANAGEMENT

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

The Service's financial risk management objectives and policies are detailed below:

### Credit Risk

The Service has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Service's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Service's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	2020 Kshs	2019 Kshs
Receivables from exchange transactions	33,715,769	32,495,550
Receivables from non-exchange transactions	4,187,084	2,406,885
Bank balances	499,440	6,531,475
<b>Total</b>	<b>38,402,293</b>	<b>41,433,910</b>

The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Service has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Service sets the credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.



## Liquidity risk management

The Service has built an appropriate liquidity risk management framework for the management on short, medium, and long-term funding and liquidity management requirements. The Service manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

	2020	2019
	Kshs	Kshs
Trade payables	2,648,875	595,359
Provisions	3,969,204	5,272,950
Employee benefit obligations	5,853,048	3,066,181
<b>Total</b>	<b>12,471,127</b>	<b>8,934,490</b>

In the FY 2019/2020 the Service did not face any major liquidity challenges.

## Market Risks

The Service has put in place an internal audit function to assist it in assessing the risk faced by the Service on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Service's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Finance Department at the Service is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the Service's exposure to market risks or the manner in which it manages and measures the risk.

### a) Foreign currency risk

The Service has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period was **Kshs 251,978**.

#### b) Interest rate risk

Interest rate risk is the risk that the Service's financial condition may be adversely affected because of changes in interest rate levels. The Service's interest rate risk arises from bank deposits. This exposes the Service to cash flow interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the Service's deposits.

#### ~~Management of interest rate risk~~

To manage the interest rate risk, the Service has endeavoured to bank with institutions that offer favourable interest rates.

## 25. RELATED PARTY BALANCES

#### Nature of related party relationships

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

#### Government of Kenya

The Government of Kenya is the principal shareholder of the Service, holding 100% of the Service's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Service, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Ministry of Industrialization, Trade and Enterprise Development;
- iii) Other State Corporations and Ministries, Departments and Agencies;
- iv) Key Management; and
- v) The Board of Directors.

Transactions with related parties	2020 Kshs	2019 Kshs
<b>a) Sales to related parties</b>		
Sale of services	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from the Government	120,000,000	108,651,816
<b>Total</b>	<b>120,000,000</b>	<b>108,651,816</b>



Transactions with related parties	2020 Kshs	2019 Kshs
<b>c) Expenses incurred on behalf of related parties</b>		
Payment of Salaries and Wages for 31 employees	95,067,150	92,739,429
<b>Total</b>	<b>95,067,150</b>	<b>92,739,429</b>
<b>d) Key management compensation</b>		
Directors (Board) emoluments	11,709,438	4,549,983
Compensation to the CEO	9,365,334	6,967,000
Compensation to Key Management	47,615,503	42,141,497
<b>Total</b>	<b>68,690,275</b>	<b>53,658,480</b>

## **26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

The Service did not have any contingent assets or liabilities at the end of the year 30<sup>th</sup> June 2020.

## **27. CAPITAL COMMITMENTS**

The Service did not have any capital commitment at the end of the year 30<sup>th</sup> June 2020.

## **28. DIVIDENDS/SURPLUS REMISSION**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

The Service did not make any surplus (Nil) during the year FY 2019/2020 Nil and hence no remittance to the Consolidated Fund.

## **29. EVENTS AFTER THE REPORTING PERIOD**

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

## **30. ULTIMATE AND HOLDING ENTITY**

The Service is a State Corporation under the Ministry of Industrialization, Trade and Enterprise Development. Its ultimate parent is the Government of Kenya.

## **31. CURRENCY**

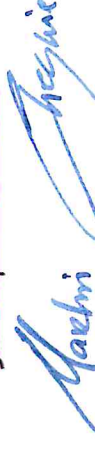
The financial statements are presented in Kenya Shillings (Kshs).

## APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref. No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: Resolved or Not Resolved)	Timeframe
1	Failure to implement IFMIS Requirement - Plan to Budget in IFMIS and e-ProMIS	The Service has committed to participated in the piloting programme lead IFMIS department at the National Treasury on e-Procurement and Budgeting modules to be integrated with the existing SAGE 300 ERP. The first meeting was convened on 7th July 2020 where action areas were agreed, and a readiness assessment is to be undertake in FY 2020/2021	Chief Manager, Corporate Service	Not Resolved	March 2021
2	Shortage of Staff	The Shortage of staff arose from several exits by Staff since 2012. The Service intends to recruit Staff during FY 2020/2021 upon receipt of requisite approval for recruitment	Chief Manager, Corporate Service	Not Resolved	June 2021

Dated 30<sup>th</sup> September 2020.

  
Martin Chesire

Chief Executive Officer

  
Dr. Nancy N. Muriuki

On behalf of Chairperson of the Board



## APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

The Service does not have any Projects implemented that was funded by development partners.

## APPENDIX III: INTER-ENTITY TRANSFERS

The Service received transfers from the State Department of Industrialization as summarized below

Entity: Kenya Accreditation Service (KENAS)			
Breakdown of transfers from the State Department of Industrialization			
Recurrent Grants			
Quarter	Bank Statement Date	Amount (Kshs)	Financial Year
Jul-Sep	16 <sup>th</sup> August 2019	27,500,000.00	FY 2019/2020
Sep-Dec	18 <sup>th</sup> October 2019	27,500,000.00	FY 2019/2020
Jan-Mar	30 <sup>th</sup> January 2020	27,500,000.00	FY 2019/2020
Apr-Jun	5 <sup>th</sup> May 2020	9,166,666.60	FY 2019/2020
Apr-Jun	2 <sup>nd</sup> June 2020	10,000,000.00	FY 2019/2020
Apr-Jun	2 <sup>nd</sup> June 2020	9,166,666.60	FY 2019/2020
Apr-Jun	29 <sup>th</sup> June 2020	9,166,666.80	FY 2019/2020
Total		120,000,000.00	

The above amounts have been communicated to, and reconciled with the parent Ministry



**Henry Wandabwa**  
Manager, Finance and Accounts



**Martin Chesire**  
Chief Executive Officer

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - Kshs	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department for Industrialization	120,000,000	Recurrent	120,000,000	120,000,000	-	-	-	-	120,000,000
Total			120,000,000	120,000,000	-	-	-	-	120,000,000



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