

REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

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**REPORT**

Mainab Wang'ku

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA BUREAU OF STANDARDS**

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





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



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**KENYA BUREAU OF STANDARDS**

**REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
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)**

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

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**LIST OF ABBREVIATIONS**

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

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



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

**I. CORPORATE INFORMATION**

**(a) KEBS Headquarters**

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

**(b) KEBS Contacts**

Telephone:(254 20) 6948000  
E-mail: [info@kebs.org](mailto:info@kebs.org)  
Website: [www.kebs.org](http://www.kebs.org)

**(c) KEBS Bankers**

**i. National Bank of Kenya Limited**

National Bank Building  
Harambee Avenue  
P. O. Box 72866-00200  
**NAIROBI**

**ii. Co-operative Bank of Kenya Limited**

Co-operative Bank House  
Haile Selassie Avenue  
P. O. Box 48231 – 00100  
**NAIROBI**

**iii. Kenya Commercial Bank Limited**

KCB Towers  
Kenya Road, Upper Hill  
P. O. Box 48400-00100  
**NAIROBI**

**(d) Independent Auditors**

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

**(e) Principal Legal Adviser**

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

**KENYA BUREAU OF STANDARDS  
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**II. KEBS KEY INFORMATION AND MANAGEMENT**

**a) Background information**

The Kenya Bureau of Standards (KEBS) is a state corporation domiciled in Kenya and established under the Standards Act (Cap.496) of the Laws of Kenya in July 1974. The Standards Act define the functions of KEBS and provides for its management and control.

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

**KEBS Structure**

KEBS is structured into six functional Directorates namely: -

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

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



**KENYA BUREAU OF STANDARDS  
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**b) Principle Activities**

**KEBS Mandate**

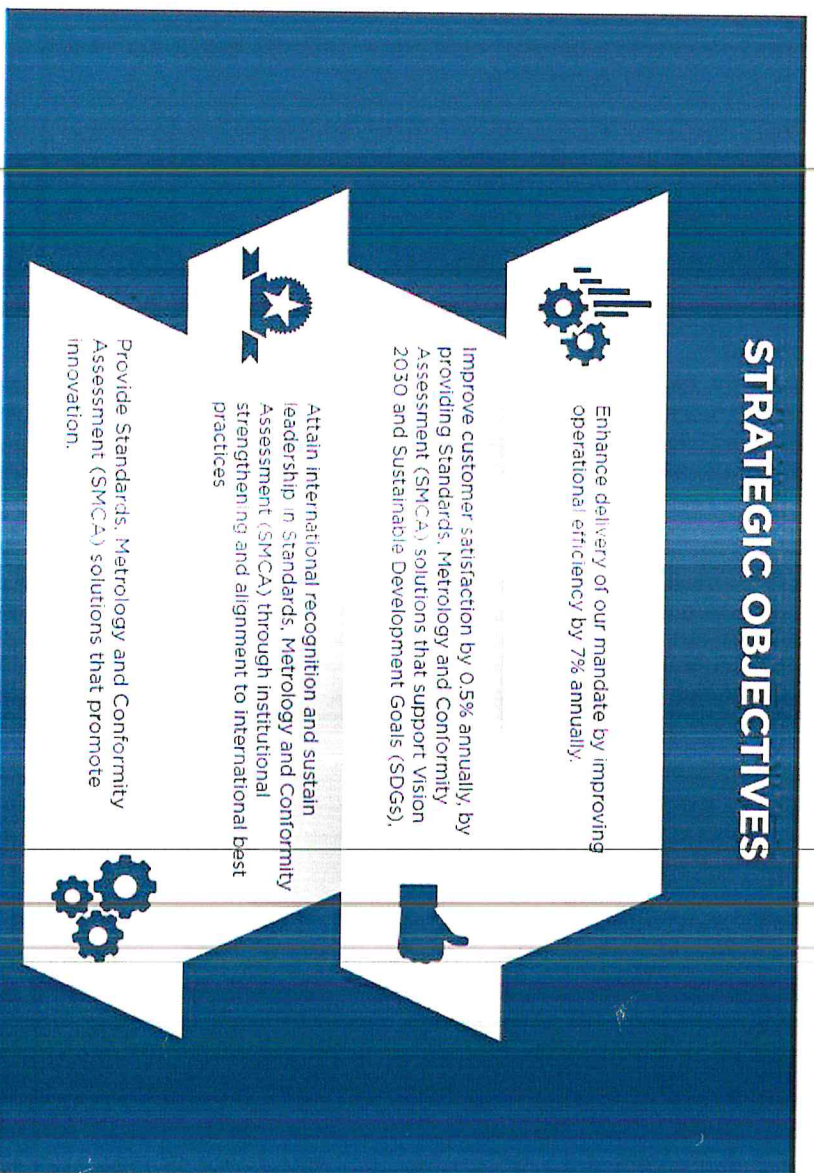
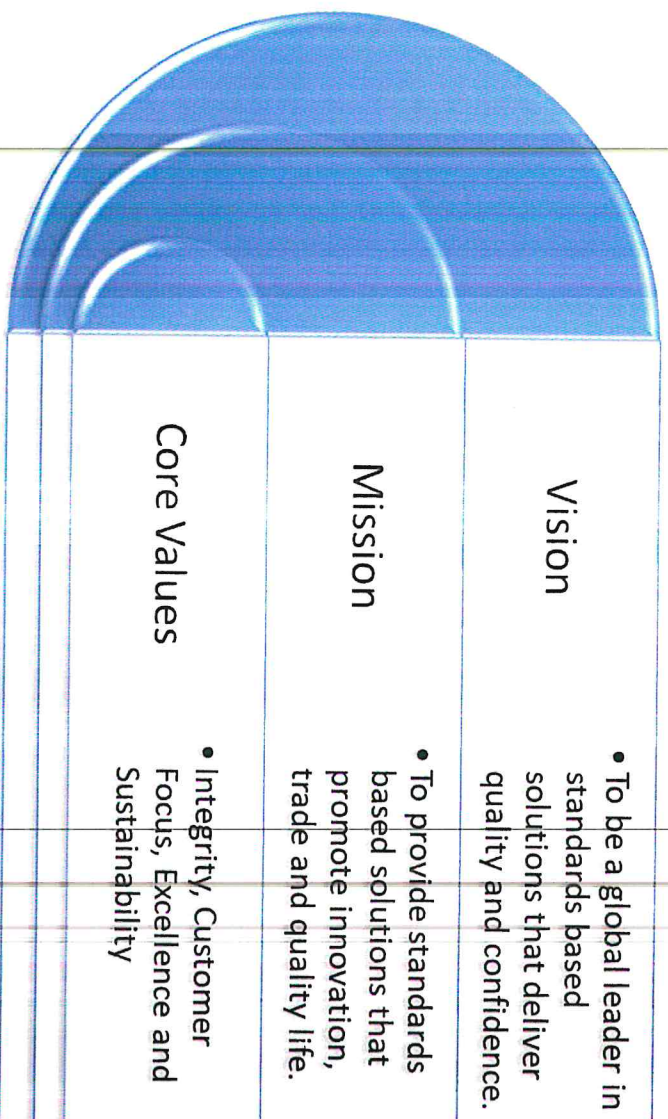
The functions of KEBS as mandated by the Standards Act, Chapter 496 of the Laws of Kenya are *inter alia*:

To promote standardization in industry and commerce;

- i.* To make arrangements or provide facilities for the testing and calibration of precision instruments, gauges and scientific apparatus, for the determination of their degree of accuracy by comparison with standards approved by the Minister on the recommendation of the Council, and for the issue of certificates in regard thereto
- ii.* To make arrangements or provide facilities for the examination and testing of commodities and any material or substance from or with which and the manner in which they may be manufactured, produced, processed or treated;
- iii.* To control, in accordance with the provisions of this Act, the use of standardization marks and distinctive mark;
- iv.* To prepare, frame, modify or amend specifications and codes of practice;
- v.* To encourage or undertake educational work in connection with standardization;
- vi.* To assist the Government or any local authority or other public body or any other person in the preparation and framing of any specifications or codes of practice;
- vii.* To provide for co-operation with the Government or the representatives of any industry or with any local authority or other public body or any other person, with a view to securing the adoption and practical application of standards;
- viii.* To provide for the testing at the request of the Minister, and on behalf of the Government, of locally manufactured and imported commodities with a view to determining whether such commodities comply with the provisions of this Act or any other law dealing with standards of quality or description.

Currently, KEBS is implementing a five-year strategic plan 2017-2022 whose theme is "Together We Deliver".

**c) KEBS vision, mission, motto and the strategic objectives are presented overleaf.**





**KENYA BUREAU OF STANDARDS  
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**d) Key Management**

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

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

**e) Fiduciary Management**

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

**Table 1: Key Management Personnel**

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

**f) Fiduciary Oversight Arrangements**

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

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

**KENYA BUREAU OF STANDARDS  
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*Table 2: National Standards Council Committee Membership and Roles*




<b>NSC COMMITTEE MEMBERSHIP</b>	<b>ROLES</b>
<b>STANDARDS APPROVAL COMMITTEE</b> <ol style="list-style-type: none"> <li>Edward Njoroge</li> <li>Joseph Mbeva</li> <li>John Kisegu</li> <li>Eric Mungai Wagithuku</li> <li>Hellen Nangithia</li> <li>Bernard Njiraini</li> </ol>	<ul style="list-style-type: none"> <li>➤ Approval of standards with the provisions of the Standards Act</li> <li>➤ Approval of policies and strategies that enhance standards development and applicability in the economy.</li> </ul>
<b>AUDIT AND RISK COMMITTEE</b> <ol style="list-style-type: none"> <li>Eric Mungai Wagithuku</li> <li>Fouzia Abdrahaman</li> <li>Patrick Musila</li> <li>John Njera</li> <li>John Kisegu</li> </ol>	<ul style="list-style-type: none"> <li>➤ Strengthening the independence, integrity and effectiveness of audit function</li> <li>➤ Reviewing issues raised by both the internal and external auditors.</li> <li>➤ Advise on risk identification, mitigation measures and the effectiveness of internal control systems.</li> </ul>
<b>FINANCE, STAFF AND GENERAL PURPOSE COMMITTEE</b> <ol style="list-style-type: none"> <li>Mary Wanjia Matu</li> <li>Joseph Mbeva</li> <li>Hellen Nangithia</li> <li>Rodgers Abisai</li> <li>John Njera</li> <li>Bernard Njiraini</li> </ol>	<ul style="list-style-type: none"> <li>➤ Assist the NSC in overseeing financial policy and procedures formulation, review and</li> <li>➤ Review the institution's budgets and recommend to the NSC for approval</li> <li>➤ Review the quarterly and the annual financial statements and recommend to the NSC for approval.</li> <li>➤ Review and recommend to NSC all KEBS human resource policies relating to terms and conditions of service of employees.</li> <li>➤ Oversee the implementation of all approved human resource policies and procedures.</li> </ul>
<b>TECHNICAL, TRADE AND PERMITS APPROVAL COMMITTEE</b> <ol style="list-style-type: none"> <li>Gilbert Langat</li> <li>Patrick Musila</li> <li>Fouzia Abdrahaman</li> <li>Rodgers Abisai</li> <li>Joseph Mbeva</li> <li>Bernard Njiraini</li> </ol>	<ul style="list-style-type: none"> <li>➤ Receive and review reports from Metrology and Testing, Quality Assurance and Inspection divisions and make recommendations to the NSC for approval</li> <li>➤ Review capital projects for implementation.</li> <li>➤ Review and recommend to the NSC for approval any interventions, policies, procedures and regulations.</li> <li>➤ Conduct or cause to be conducted surveillance to ensure the quality of standards of any product in the market.</li> <li>➤ Oversee, supervise, monitor and evaluate timely delivery of KEBS services in line with the Service Charter</li> <li>➤ Administration of the standardization mark scheme in accordance with provisions of standards Act.</li> </ul>



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




	<p><b>NSC Chairman:</b> <b>DOB: 25<sup>th</sup> December 1970</b></p> <p>Eng. Bernard Ngore holds a BSC in mechanical engineering from JKUAT, International Diploma in Administrative Management from Institute of Administrative Management of London and certificate on effects of engineering activities on global warming from Edinburgh University, Scotland. He is a registered professional mechanical engineer with Engineers Board of Kenya (EBK) and member of Institute of Engineers of Kenya (IEK). He is the founder and CEO of Top Quality Motors Ltd, former Board member of Numerical Machining Complex and former chair of Kenya Motor Repairs Association and a member of Infrastructure and Transport Sector Board of the Kenya Private Sector Alliance (KEPSA). He was appointed on the 15<sup>th</sup> November 2019.</p>
<p><b>Lt. Col (Rtd) Bernard N Njiraini</b></p> 	<p><b>Managing Director and Secretary to the Board</b> <b>DOB: 16<sup>th</sup> August 1971</b></p> <p>Mr. Bernard Njiraini Holds a Master's and a bachelor's degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from University of Nairobi and a member of the Institute of Engineers of Kenya (IEK). He previously worked as the production manager at the Kenya Ordnance factory and as the Managing Director, Numerical Machining Complex. He was appointed as the Managing Director on the 29<sup>th</sup> August 2019.</p>
<p><b>Mary Wanja Matu</b></p> 	<p><b>Board Member</b> <b>DOB: 4<sup>th</sup> February, 1960</b></p> <p>Ms. Mary Matu is a graduate of University of Alabama, Birmingham and an Alumni of the John Fitzgerald Kennedy (JFK) School of Government at Harvard University. She has over 25 years' experience in Health Management and Health Systems strengthening. She joined the NSC on 17<sup>th</sup> April 2015 for a period of three years and was reappointed on 10<sup>th</sup> May 2018 as a member of the NSC. She is an independent director and currently the chair of the Finance, Staff and General Purpose Committee.</p>

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 <p><b>Fouzia Abdirahman</b></p>	<p><b>Board Member</b> <b>DOB: 28<sup>th</sup> May, 1968</b></p> <p>Ms. Fouzia Abdirahman holds an MBA and BSc in International Business. She has vast experience in International organizations having held managerial positions in the field of logistics and procurement. She is an independent director who joined the NSC on 17<sup>th</sup> April 2015 for a period of three years and was reappointed on 10<sup>th</sup> May 2018.</p>
 <p><b>Gilbert K. Langat</b></p>	<p><b>Board Member</b> <b>DOB: 1971</b></p> <p>Mr. Gilbert Holds a BA degree in Management, from Moi University, Executive Training from Birmingham University and Executive Public Policy from Strathmore Business School (SBS). He is the CEO of shippers' council of Eastern Africa, the Chairman of port of Mombasa corridor charter, and a former director Kenya National Highways Authority. He is also a board member at Kenya Trade Network Agency (KENTRADE). He joined the board on the 14<sup>th</sup> December 2018. He is an independent director and is currently the chair of the Technical, Trade and Permits Approval Committee.</p>
 <p><b>John Njera</b></p>	<p><b>Board Member</b> <b>DOB: 2<sup>nd</sup> July, 1967</b></p> <p>Mr. John Njera holds a BSC in Mathematics from Kenyatta University and a Masters in Computer Science from National University of Science and Technology. He has served as a Fiscal Analyst for the last 13 years at the National Treasury. He is the alternate to the Principal Secretary -National Treasury.</p>



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<p><b>John Kisegu</b></p> 	<p><b>In Attendance</b> <b>DOB: 1965</b></p> <p>Mr. John Kisegu holds an MBA in Strategic Management and BEd from Kenyatta University. He is an Assistant Inspector General State Corporations. He previously worked in Efficiency Monitoring Unit and Ministry of Youth Affairs from 2007 to 2012. He also served in the Ministry of Education in the Quality Assurance section. Mr Kisegu represents the Inspector General - State Corporations at the NSC. He also represents the Inspector-General in the Kenya Power Board, Unclaimed Financial Assets Authority Board, and Moi University Council. He joined the NSC on 3<sup>rd</sup> May 2017 as a Non Executive director.</p>
<p><b>Patrick Musau Musila</b></p> 	<p><b>Board Member</b> <b>DOB: 27<sup>th</sup> April, 1968</b></p> <p>Mr. Patrick Musila holds an MA in Economics from Marathwada University, India and a BCom from Jabalpur University, India. He has vast experience in Non-Governmental Organizations in the field of monitoring and evaluation, project coordination and has served as an assistant lecturer at Maseno University. He joined the NSC as an independent director on 20<sup>th</sup> February 2017 for a period of 3 years and and re appointed on the 21<sup>st</sup> february 2020.</p>
<p><b>Edward Njoroge</b></p> 	<p><b>Board Member</b> <b>DOB: 26<sup>th</sup> November 1952</b></p> <p>Mr. Edward Njoroge holds a BSc (Hons) Chemistry - Biochemistry from Makerere University and an MBA in Leadership and Sustainability – Cumbria University, United Kingdom. He has vast experience in the corporate and financial sector. He is a member of various boards as a non- executive director and was a former MD and Chief Executive Officer – Kenya Electricity Generating Company (KENGEN). He joined the NSC as an independent director on 10<sup>th</sup> May 2018. He is currently the President of International Organization for Standardization (ISO) and the chair of the Standards Approval Committee.</p>

**KENYA BUREAU OF STANDARDS  
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 <p><b>Eric Wagithuku Mungai</b></p>	<p><b>Board Member</b> <b>DOB: 10th July, 1965</b></p> <p>Mr. Mungai studied management at the Boston University School of Management. He is a Director of Evelyne College of Design and also a Director of the Betting Lotteries Governing Board for the County of Nairobi among other entities. He joined the NSC as an independent director on 17<sup>th</sup> April 2015 for a period of three years and was reappointed on 14<sup>th</sup> Dec 2018. He is currently the Chair for the Audit and Risk Committee.</p>
 <p><b>Hellen Nangithia</b></p>	<p><b>Board Member</b> <b>DOB: 30<sup>th</sup> March 1962</b></p> <p>Hellen Holds a Bachelor of Education Arts from Kenyatta University. She previously worked as a County Executive Committee (CEC) member for Meru County, Public Service and Administration in Education and technology. She also served as the chair of the Kenya Secondary Schools Heads Association, Tigania East Sub County. She joined the NSC as an independent director on the 14<sup>th</sup> December 2018 for a period of three years.</p>
 <p><b>Joseph Mbeva</b></p>	<p><b>Board Member</b> <b>DOB: 2<sup>nd</sup> September, 1966</b></p> <p>Mr. Joseph Mbeva holds a Master's degree in Intellectual Property from Franklin Pierce Centre for Intellectual Property/School of Law, USA. He is an Alternate board member to the Principal Secretary - Ministry of Industrialization, Trade and Enterprise Development in KEBS, Micro and Small Enterprise Authority (MSEA) and Kenya Industrial Property Institute (KIPi).</p>






**KENYA BUREAU OF STANDARDS  
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<p><b>Rodgers Abisai</b></p>  A portrait photograph of Rodgers Abisai, a Black man with a short haircut, wearing a dark suit jacket, a light blue shirt, and a patterned tie. He is looking directly at the camera with a slight smile.	<p><b>Board Member</b> <b>DOB: 27<sup>th</sup> February 1970</b></p> <p>Mr. Rodgers Holds an LL. B (Hons) degree from the University of Nairobi. He is an advocate of the High Court of Kenya, Commissioner of Oaths and Notary Public. He is a private legal practitioner specializing in Commercial Litigation, Conveyance and Labour Law and has over 24years experience in the legal field. He was appointed as an independent director of the NSC on 15<sup>th</sup> November 2019.</p>
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**KENYA BUREAU OF STANDARDS  
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MANAGEMENT TEAM**

The management team is as presented in the table below.




	<p><b>Managing Director</b> Mr. Bernard Njiraini Holds a Master's and a bachelor degree in Mechanical Engineering from JKUAT. He holds a post graduate diploma in strategic studies from University of Nairobi and is a member of the Institution of Engineers of Kenya. He previously worked as the production manager at the Kenya Ordnance factory and as the Managing Director Numerical Machining Complex. He was appointed as the Managing Director on the 29<sup>th</sup> August 2019.</p>
	<p><b>Director Finance and Strategy</b> Mr. Mohammed Adan holds an MSC in Accounting and Financial Management and BA in Accounting &amp; Business Management from university of Hertfordshire (UK). He is a Chartered Accountant-ACCA (UK).</p>
	<p><b>Director Standards Development and Trade</b> Esther Ngari holds an Executive MBA from JKUAT and a BSC in Dairy Science and food technology from Egerton University and. She is a Quality Management and Environmental Management systems auditor.</p>

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





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



**KENYA BUREAU OF STANDARDS  
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 <p><b>Brian Mimbwanga</b></p>	<p><b>Ag. Head of Legal Services</b></p> <p>Brian Mimbwanga Holds a Bachelor of Laws (LLB) from the university of Nairobi and a Post Graduate Diploma in Law (PGDL) from the Kenya School of Law. He is currently pursuing Master's Degree – Master of Business Administration (MBA) from the university of Nairobi.</p>
 <p><b>Josephine Mwakithi</b></p>	<p><b>Ag. Head of Procurement</b></p> <p>Ms Josephine Mwakithi holds an MBA in Strategic Management from University of Nairobi, Bachelor of Business Management (BBM) Purchasing and supplies Option from Mt. Kenya University and CIPS level 6 Graduate Diploma in Purchasing and Supply from Chartered Institute of Purchasing and Supply (UK). She is a member of Kenya Institute of Suppliers Management(KISM).</p>

**KENYA BUREAU OF STANDARDS  
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**Buy Kenya Build Kenya**

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

**Upgrade of Regional Offices**

KEBS completed Lake and Coast regional offices which have since been occupied. The construction of the North Rift Regional offices has also been completed and occupied while the Laboratories construction is at an advanced stage.

**Total Revenue/ Expenditure**

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

It is worth noting that KEBS participated in EAC regional activities which included harmonization of standards and other conformity assessment activities. In collaboration with FAO/WHO Coordinating Committee for Africa, KEBS organized a regional workshop for National Codex contact points to strengthen the knowledge and skills of the delegates. This was aimed at enhancing Codex Alimentarius Commission's contribution to Sustainable Development Goals (SDG 2, 3 12 and 17).

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

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

**Lt. Col (Retd) Bernard N. Njiraini.**

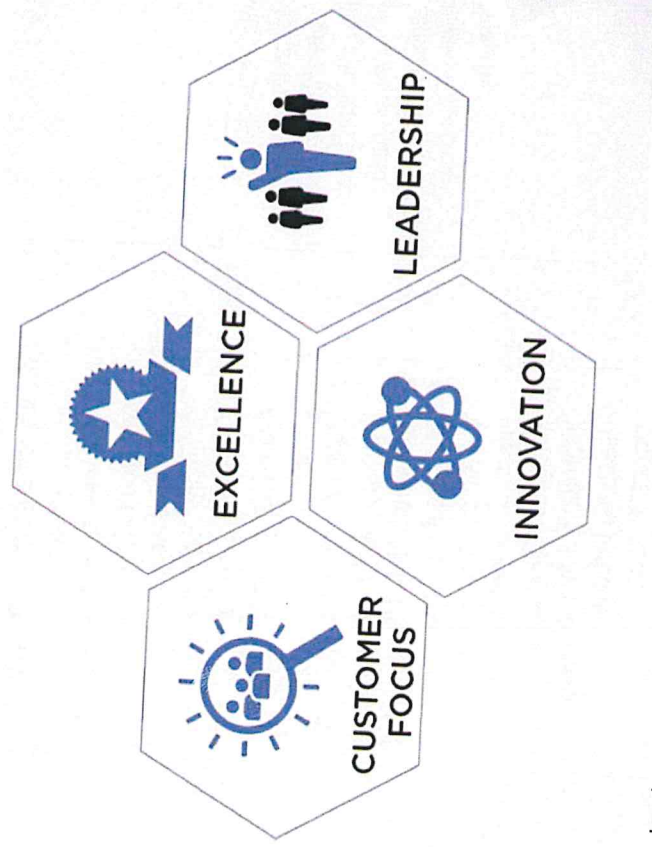
**MANAGING DIRECTOR**

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

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

**PERFORMANCE AGAINST KEBS STRATEGIC OBJECTIVES**

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



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

Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 1: Excellence	Enhance delivery of KEBS mandate by improving operational efficiency by 10% annually.	100%	<ol style="list-style-type: none"> <li>1. Automate key processes</li> <li>2. Optimum utilization of human capital</li> <li>3. Optimum utilization of resources</li> <li>4. Business process re-engineering</li> <li>5. Business Process Outsourcing -</li> <li>6. Implement a Business Continuity Management System</li> <li>7. Competency development</li> <li>8. Sustain Performance Management System</li> <li>9. Monitoring and evaluation of processes</li> </ol>	81.7%



**KENYA BUREAU OF STANDARDS  
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Pillar 2: Customer Focus	Improve Customer Satisfaction by 1% annually by providing SMCA solutions that support Vision 2030, Big Four Agenda and SDGs.	66%	<ol style="list-style-type: none"> <li>1. Compliance with service delivery charter</li> <li>2. Implementation of the Customer satisfaction index recommendations for FY 2018/19</li> <li>3. Implementation of service delivery innovation</li> <li>4. Implementation of stakeholder engagement programmes</li> <li>5. Implementation of communication strategy</li> </ol>	58.9%
Pillar 3: Leadership	Attain international recognition and sustain leadership in SMCA through institutional strengthening and alignment to international best practices.	100%	<ol style="list-style-type: none"> <li>1. Implementation of accreditation and certification systems</li> <li>2. Maximize use of standards by the public sector</li> <li>3. Strengthen NMI, NRL and NQI</li> <li>4. Align legal and regulatory framework of KEBS to international best practices</li> <li>5. Influence regional and international market policy directions through standardization</li> </ol>	50%
Pillar 4: Innovation	Provide SMCA solutions that promote innovation.	100%	<ol style="list-style-type: none"> <li>1. Implementation of Research, Development and innovation Strategy</li> <li>2. Implementation of strategic agreements</li> <li>3. No. of new products developed</li> <li>4. No. of new revenue streams</li> </ol>	50%

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



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

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

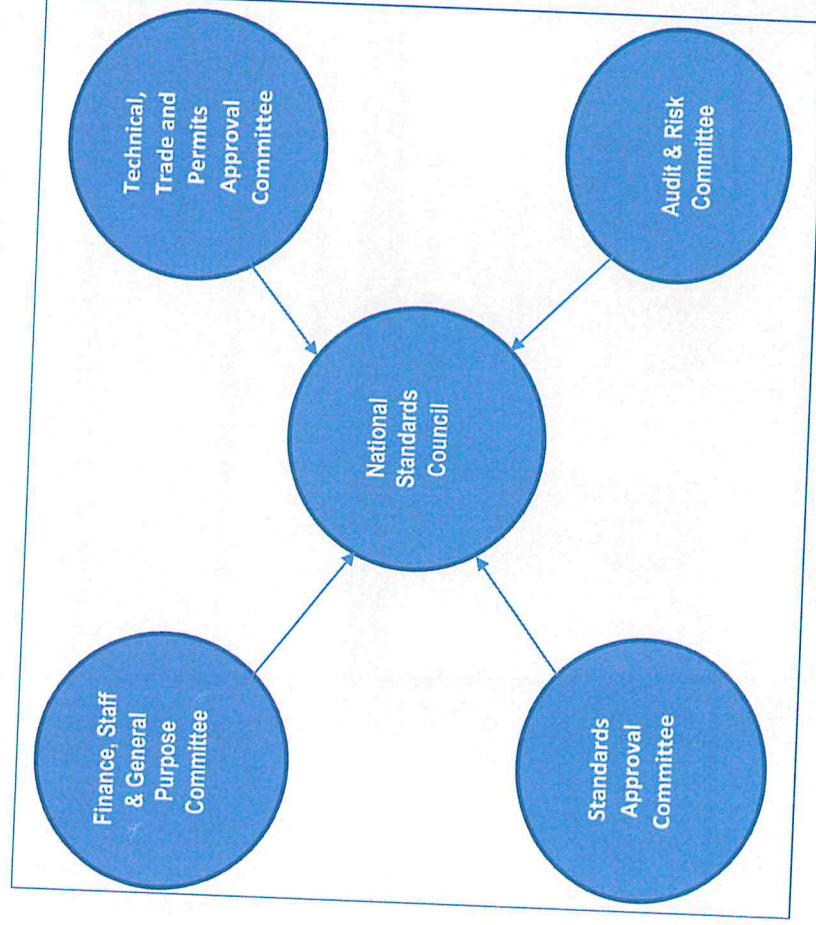
The roles and functions of NSC members is provided for in the Standards Act, Cap 496, Laws of Kenya and in the Board Charter.

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

**b) Committees of the Board**

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

**Figure 1: Board Committees**

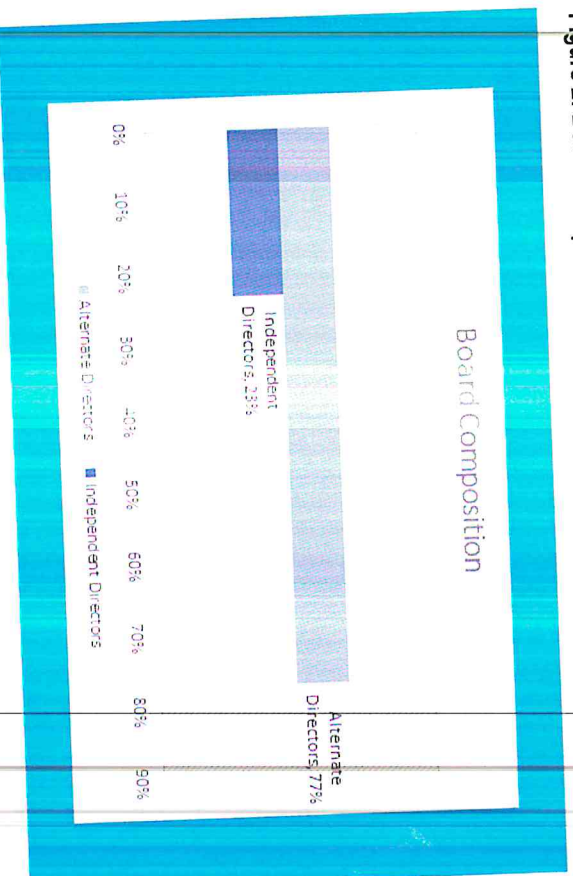


**KENYA BUREAU OF STANDARDS  
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

**c) Board Composition**

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

**Figure 2: Board Composition**



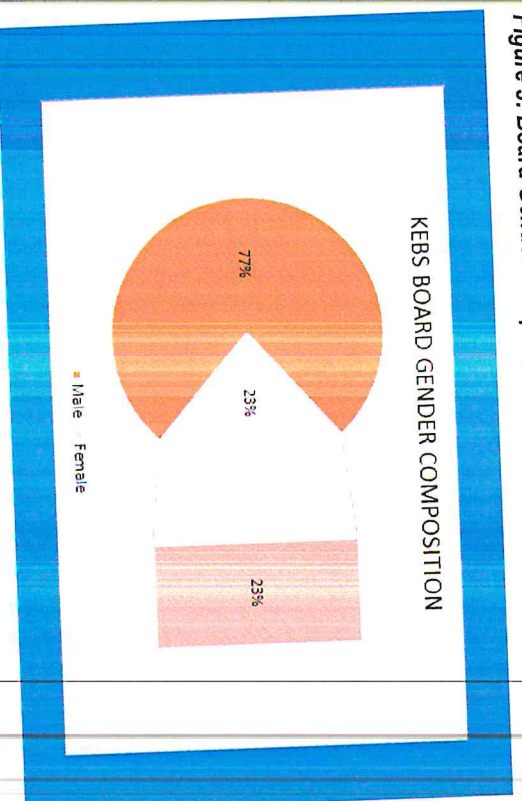
**d) Board Competence**

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

**e) Board Gender Representation**

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

**Figure 3: Board Gender Composition**



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

**f) Board Charter**

There is a board charter that provides guidelines to the board in exercising its mandate. The charter was adopted by the organization acting in accordance with the *Mwongozo* Code of Governance for State Corporation and is complimentary to the requirements regarding the board and board members contained in applicable Kenyan laws and regulations. The charter is available to all members of the board.

**g) Appointment and Removal of Directors.**

The process of appointment and removal of Directors is done in line with the Standard Act Cap 496.

**h) Board Evaluation and Remuneration**

The board evaluation was carried out in the month of August 2020. The Board remuneration was as per the State Corporation Act and government circulars.

**i) Board Induction and Training**

The induction of the new board members was carried out and training on corporate governance carried out during the year under review.

**j) Board Committee Meeting**

Board Committee meetings for the year under review are as presented in table 3 below.

**Table 3: Board Committee Meetings**

Committee	Planned No. of Meeting	Actual No. of Meetings
National Standards Council	5	37
Standards Approval committee	4	4
Audit and Risk	6	11
Finance, Staff and General Purpose Committee	15	32
Technical, Trade and Permits Approval Committee	14	21
Adhoc Meetings	0	35

**k) Conflict of Interest**

This was an agenda item in the board meetings and members were required to declare any conflict of interest.

**l) Governance Audit**

The governance audit was carried out by SCAC appointed auditors on 12<sup>th</sup> August 2020.

**m) Ethics and Conduct**

The NSC members are of good conduct and ethics.



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

**n) Risk Management**

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

**o) Internal Audit and Assurance**

The main function of internal audit is to provide assurance of the internal control and governance processes for continual improvement. KEBS internal controls are defined by approved policies and procedures, which contain operational and financial controls. Internal audit assurance is carried out by an independent internal audit department with oversight from the audit committee of NSC. The audit committee reviews internal audit plans and reports with a view of assessing compliance to various approved policies, procedures, relevant regulations and laws and as well as evaluating the adequacy and effectiveness of KEBS internal controls.

**p) External audit**

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

**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

This annual report captures the overall performance of KEBS based on its key interventions and performance indicators in line with the performance contract.

This report highlights the financial and operational performances, challenges in relation to performance management, major risks facing the organization and corporate social responsibility activities carried out during the 2019/2020 financial year.

**1. Operational and financial performance of the organisation**

The operations of KEBS are based on the Strategic Plan 2017/2022 and the annual KEBS-GOK Performance contract guidelines. The annual work plans are implemented using the Balance Scorecard methodology. Presented below are the discussion and analysis of KEBS performance for the period under review:

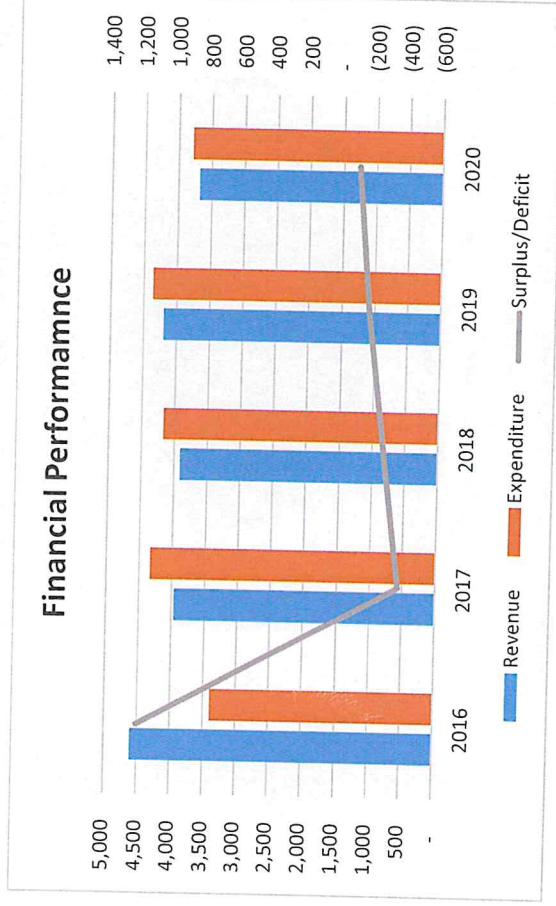
**a) Financial Performance**

Overall KEBS financial performance was less than optimal in the year under review. The achievement in revenue was at an all-time lower when compared to the last two previous years. There also a significant reduction in expenditure. The comparative analysis of revenue and expenditure in the last three years of this strategic period are as presented in Figure 4 overleaf:



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

**Figure 4: Revenue and Expenditure**



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

**i) Revenue**

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

Figure 5: Revenue streams



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

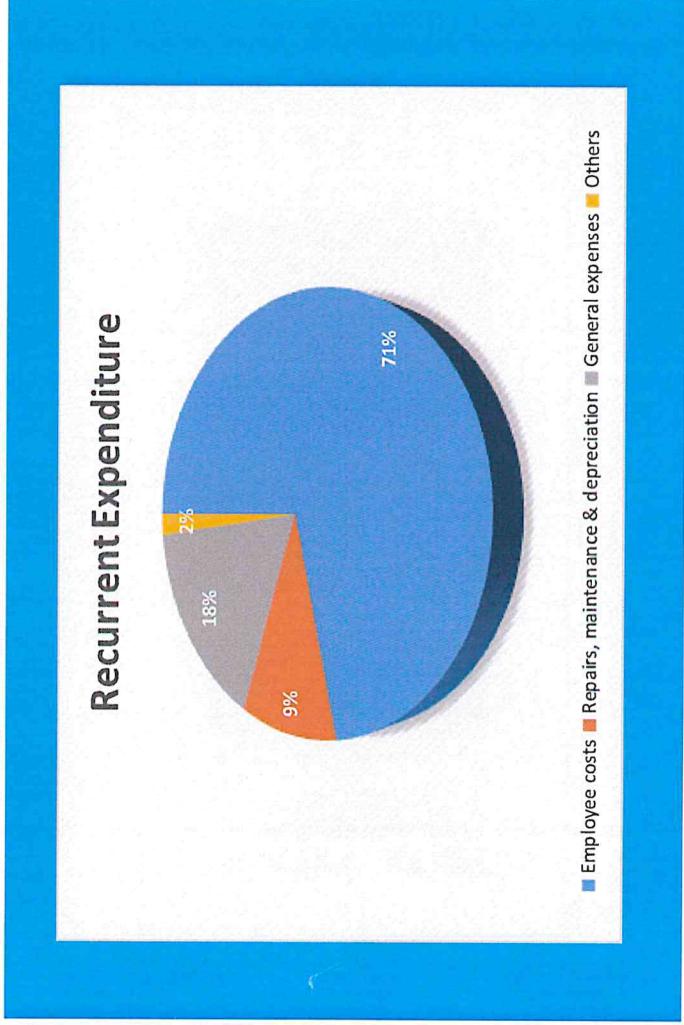
- a) Reduction in revenue from system certification and industrial training of 19.3% and 40.1% respectively. These streams were affected by implementation of presidential directive on restriction of physical interaction and social distancing.
- b) Reduction in laboratory analysis and calibration fees due to the reduction in private samples tested and equipment calibrated during the year.

**ii) Expenditure**

Total expenditure decreased when compared to prior year. The decrease was majorly attributed to reduced capital expenditure, implementation of travel restriction and scaling down of activities in the third and fourth quarter of the year. In 2019/20, the expenditure reduced by 13.1% from Kshs. 4.358B reported in the previous year to Kshs. 3.784 B. The reduction was mainly attributed to lower expenditure in capital projects due to austerity measures. It is also important to note that on the recurrent expenditure, employee costs constituted the highest costs of the organisation as KEBS is a service organisation. The distribution of recurrent expenditure is as presented in figure 6 overleaf.

KENYA BUREAU OF STANDARDS  
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Figure 6: Recurrent Expenditure



iii) **Total Assets**

KEBS assets have increased over the years 2016 to 2018 upon

- 1) Acquisition of KEBS building in Coast Region.
- 2) Completion of the regional office in the Lake Region.
- 3) Acquisition of the Lab equipment so as to increase testing scopes and improve efficiency in testing and measurement test results.

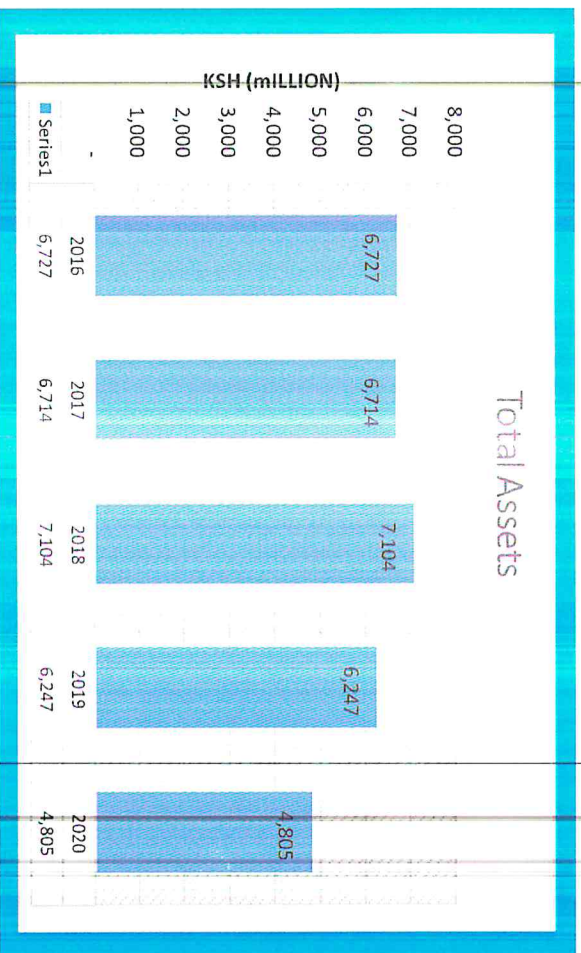
However, over the last 2 years the assets have decreased due reduced capital expenditure, depreciation and remittance to the national treasury in the 2019/2020 Financial year

The total assets over the last five financial years is as presented in figure 7 overleaf:



KENYA BUREAU OF STANDARDS  
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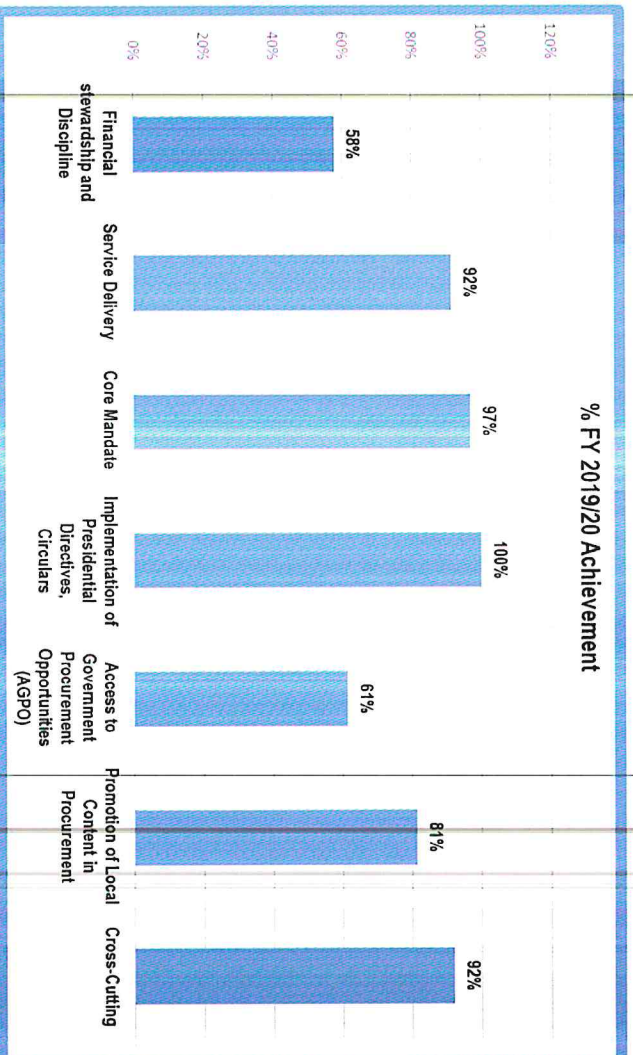
Figure 7: Total Assets



b) Operational Performance

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

Figure 8: Operational Performance



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

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

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

Some of the challenges in relation to Corporate performance include:

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

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

### **a. KEBS Infrastructure**

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

During the year under review, KEBS committed to compete and operationalize North Rift office and Laboratories. The KEBS North Rift laboratories and offices was occupied in the second quarter and its completion is currently estimated at 86 %.

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

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

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

### iii. Automation

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

### iv. Standards Development

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

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

- a. Financial Risk** - Failure to meet set revenue target. Cumulatively, a total of KES 3.69 billion was generated against a target of KES 4.24 billion with a negative variance of KES 555 million. To mitigate this, KEBS will implement the Resource Mobilization Strategy and Cost Reduction Strategy.
- b. COVID-19 (Corona Virus) Risk**-The Corona virus pandemic has greatly impacted on the activities of KEBS. It has reduced accessibility and availability of KEBS facilities and services and there is likely exposure of KEBS staff to Covid – 19. To mitigate this, KEBS scaled down its activities and continues to educate staff on COVID-19 symptoms and prevention, provision of masks, gloves and hand sanitizers to staff. KEBS also facilitate staff to telecommute/work from home, encourages social distancing and implemented the Executive order no 2 of 2020 dated 13/3/2020 on suspension of non-essential travels by state and public officers.
- c. Legal Risk** - This refers to potential adverse outcomes in litigation which could drive liquidity restraints, thereby limiting financial flexibility of KEBS and potentially jeopardize the ability to respond to or take advantage of opportunities or meet other ordinary needs. The following strategies will be implemented to mitigate this risk: installation of a modern teleconferencing facility for hearing of Judicial cases and provision of services to the NSC; use of the automation process for contract and cases management; proper legal representation; alternative dispute resolution i.e. negotiations, mediation, conciliation,; setting aside contingency funds for the litigations
- d. Compliance risk** –due to failure to transition to the new ISO/IEC 17025:2017 (General requirements for the competence testing and calibration laboratories Accreditation) on time to mitigate this, we continue to engage with our accreditation bodies to ensure that any issues are dealt with before we risk the loss of accreditation. Furthermore, we are considering changing the accreditation body to KENAS.
- e. Reputational Risk**- Our brand identity is extremely important to us and failure to protect this would result in deterioration of our reputation and potential loss of business. To mitigate, we continue to reinforce our values, policies and processes with our employees, business partners and other stakeholders. We take robust action, where necessary, to protect our trademarks, brand and reputation. We also commit to implementation of communication Strategy and stakeholder Engagement Programmes.
- f. Information Security Risk**- failure to protect KEBS against inadvertent loss of data or cyber-attack would adversely affect our brand identity and reputation. We are currently implementing ISO 27001 (Information Security management systems) and measures to avert any cyber-attacks have been established and implemented.
- g. Business interruption risk** due to lack of business continuity management system. In the FY 2020/21 we have committed to implement ISO 22301(Business Continuity Management system) and seek for certification by 30<sup>th</sup> June 2021.



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

### 4 KEBS compliance with statutory requirements

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

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING

### 1. Corporate Social Responsibility

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

#### a) Kenya Society for the Blind Hike

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

**Figure 9: Kenya Society for the Blind Hike**



#### b) Beyond Zero Marathon

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

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

**Figure 10: KEBS Participants to the Beyond Zero 5<sup>th</sup> Edition Marathon.**



**2. Sustainability Report**

- a) People**

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

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

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

KEBS undertook the following activities under the Occupational Health & Safety Act, 2007 and related EHS legislation. A routine Occupational Health and safety Inspection was conducted and Workplace Registration Certificates were maintained. In addition, routine medical examinations for staff exposed to specific hazards were carried out and an annual emergency/fire evacuation drills were conducted. Over 1000 trees were planted in partnership with the Kenya Forest Service (KFS) on the 30<sup>th</sup> November 2019. KEBS is in the Process for implementing an integrated environment, health and safety management system based on ISO 45001 (Occupational health and safety management system) and ISO 14001(Environmental Management System), and 20 Champions have already been trained and certified.
- e) Corruption prevention**

Integrity is one of KEBS core values. The organization has continued to implement the anti-corruption policy and corruption prevention through the guidance of the anti-corruption committee. The anti-corruption committee is composed of various directors with the Internal Audit department as the secretariat and chaired by the managing director. KEBS implemented various strategies to combat corruption including pursuing accreditation to ISO 37001(Anti bribery Management System)



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

**Whistle Blowing Policy**

KEBS is committed to protecting the identity of all employees and stakeholders when they provide information regarding corruption related activities or participate in investigation. KEBS has provided channels of reporting corruption such as toll free line and emails. The NSC and management encourages staff to whistle blow without victimization.

- f) **ISO Accreditation/Certification.**  
KEBS maintains accreditation for its metrology, testing and certification functions. In addition, we hold an ISO 9001:2015 Certification
- i. **ISO 17025(General requirements for the competence testing and calibration laboratories) Accreditation - Metrology**  
KEBS maintained the ISO/IEC 17025 accreditation status of five Metrology laboratories: AC/DC, Force, Mass, Temperature, Force and Volume and Flow and ISO 9001 certification for instrumentation/ workshop section.
- ii. **ISO 17025 Accreditation -Testing**  
KEBS Testing Laboratories are accredited to ISO 17025 by the South African National Accreditation Services (SANAS). One management review was conducted in August 2019 and an internal audit was conducted in May 2020
- iii. **ISO 17021 (Requirements for bodies providing audit and Certification of Management systems) Accreditation**  
KEBS – CB has maintained accreditation to ISO/IEC 17021 by RVA and KENAS.
- iv. **ISO 17065 (Requirements for bodies certifying products, processes and services) Accreditation**  
KEBS is at 87% (an increase by 2%) of the accreditation process after undertaking gap analysis internally and internal audit during the last quarter. KENAS has been identified as the independent assessor to review the processes, however this has not been actualized.
- v. **ISO 17020 (Inspection Body Accreditation)**  
KEBS committed to implement the following activities during the contract period: review of inspection documentation, pre-assessment and initial assessment, internal audits, implementation of corrective actions, management review and submission of accreditation documents to the accreditation body. During the period under review, inspection documentation was reviewed and uploaded onto Entropy platform for implementation, this moved the implementation level to 90%. However, the assessment, audit and management review activities which were scheduled for the third and fourth quarter were not realized due to compliance with the presidential directive in relation to COVID 19 which restricted physical meetings and travel.
- vi. **ISO 9001:2015(Quality Management System) Certification**  
KEBS holds ISO 9001:2015 certification by BSI and has maintained the accreditation.



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

**IX. REPORT OF THE DIRECTORS**

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

**Principal Activities**

The principal activities of KEBS are:

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

**Results**

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

**Directors**

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

**Table 4- DIRECTORS APPOINTMENT & EXITS**

No.	Board Member	Status
1.	Ken Walthome	Retired on 15 <sup>th</sup> November 2019
2.	Rodgers Abisai	Appointed on 15 <sup>th</sup> November 2019
3.	Patrick Musila	Retired on 19 <sup>th</sup> February 2020
4.	Patrick Musila	Appointed on 21 <sup>st</sup> February 2020

**Surplus Remission**

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

**Auditors**

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

By Order of the NSC.

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

Date: 30.03.2021

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

**X.STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

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

**Approval of the Financial Statements**

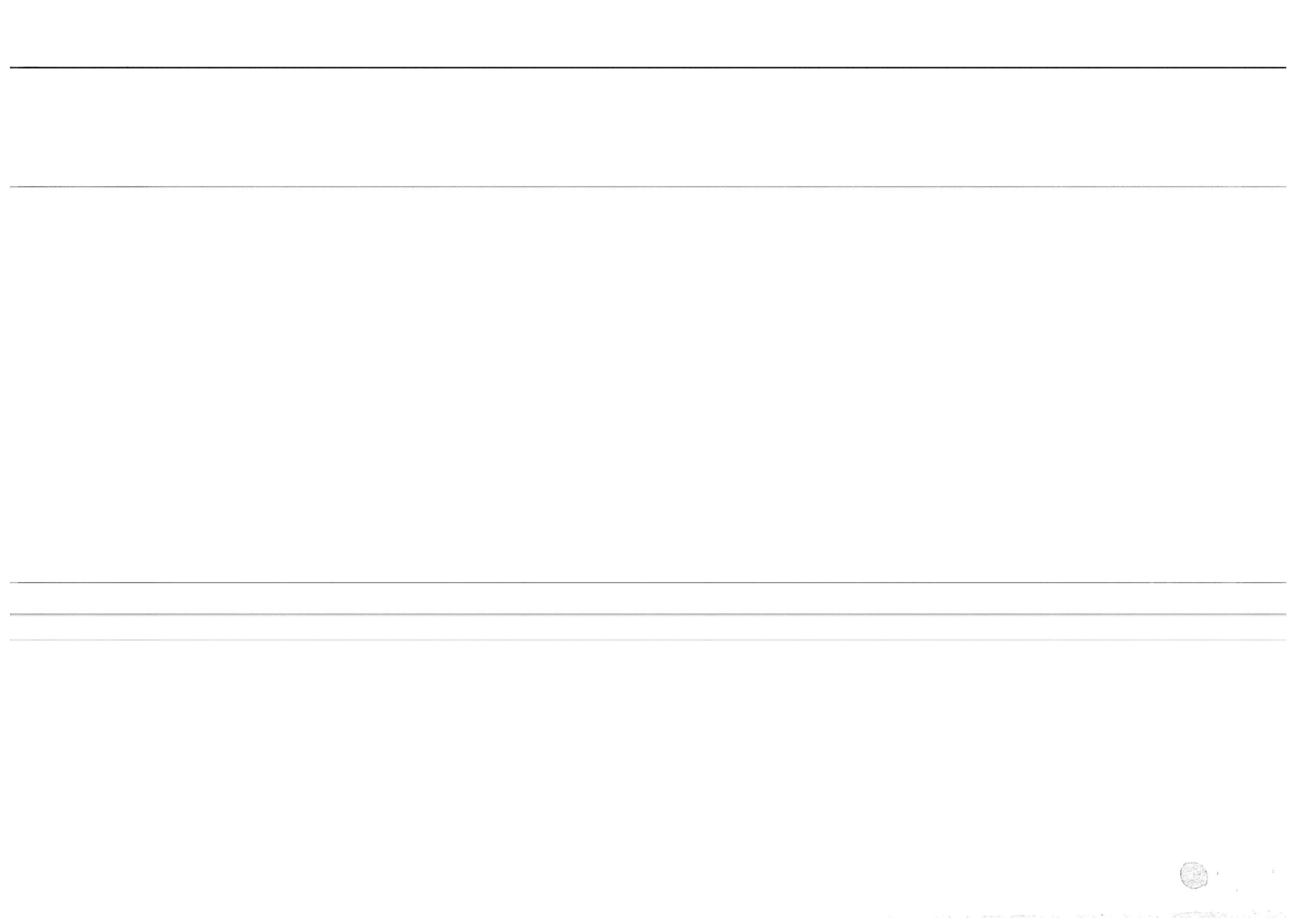
The KEBS financial statements were approved by the NSC on \_\_\_\_\_ 2020 and signed on its behalf by:



**NSC Chairman**



**Managing Director**







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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Bureau of Standards set out on pages 41 to 76, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Bureau of Standards as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Standards Act, Cap 496 of the Laws of Kenya.

#### Basis for Qualified Opinion

##### 1. Receivables from Exchange Transactions

- i) As previously reported, receivables from exchange transactions balance of Kshs.431,127,162 as at 30 June, 2020 includes long outstanding debts of Kshs.17,500,000 owed by a law firm under receivership in respect of a payment made to the firm for purchase of land at Donholm Estate in Nairobi. Although the transaction turned out to be fraudulent, recovery of the money had not been made as at 30 June, 2020. Further, the Public Investments Committee recommended that the Ethics and Anti-Corruption Commission investigates the matter and recommend for prosecution any person found culpable in defrauding the organization and also report progress on this matter to the National Assembly within six (6) months. The outcome of this investigation has not been disclosed. In addition, the organization requested for write-off of the long outstanding amount, but is still awaiting approval by the National Treasury.



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

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

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

## **2. Property, Plant and Equipment**

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

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

## **3. Cash and Cash Equivalents**

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

Similarly, audit review of Lake Region bank accounts No.605 and 100 revealed that some of the revenue cheques totalling Kshs.1,844,723 were banked in Lake Region operation account instead of the revenue collection account and withdrawn after a few days. This is contrary to the Bureau's policy which requires that all the revenue collected in the regional offices be deposited into the revenue collection account and all the bank transfers from head office to the regional offices be sent via the operations account. Although this matter has been taken to court and the involved staff members investigated, the matter had not been concluded as at 30 June, 2020.

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

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Bureau of Standards 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 qualified 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.

### **Emphasis of Matter**

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

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

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

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

As reported in the previous year, the statement of financial performance for the year ended 30 June, 2015 reflected revenue from exchange transactions amounting to Kshs.3,707,985,187 out of which Kshs.2,375,571,667 was earned from PVOC Program. Available information revealed that, a local freight company imported goods with a customs value Kshs.187,652,754 but were not subjected to Destination Inspection (DI) and duty thereof at 15% on value. Had the goods been subjected to the inspection and duty levied, the Bureau would have recorded additional revenue of Kshs.28,147,193.



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

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

**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**

**1. Legal Matters**

**a) Unapproved Procurement of Legal Firms**

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

Further, the Management wrote to the Office of Attorney General on 28 July, 2017 via letter ref: KEBS/CONF/IMP/INSP/1 VOL 3(49) seeking approval to appoint the two firms to represent the Bureau in the above stated case. The Office of the Attorney General via response letter referenced AG/CON/6/D/144/Vol.II dated 31 July, 2017 granted a conditional approval subject to the Bureau providing the AG with the minutes and report of the evaluation committee on the method of procurement and justification for the appointment of the two firms. However, no evidence was availed for audit review to confirm whether the Office of the Attorney General approved the appointment of the firms or whether the seeking of approval by the Bureau from Attorney General was a mere ratification of procurement decision KEBS had already made.

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

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

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

required by Government Circular No.AG/CON/6/D/144VOL.11. Further, the contract between the law firm and the Bureau was not availed for audit review.

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

### **c) Irregular Procurement of Legal Services**

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

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

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

In addition, contrary to Section 44(2) of the Public Procurement and Asset Disposal Act, 2015 the Bureau did not ensure that the procurement for legal services were handled by different professional offices as the sourcing was initiated and finalized by the legal department only.

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

## **2. Charge of Destination Inspection Fee at 15% Without a Gazette Notice**

During the period 30 December, 2019 to 27 April, 2020, the Bureau charged destination inspection fees at the rate of 15% for goods arriving without certificate of conformity. However, the enactment of 15% from 20% was done via an internal memo referenced No. KEBS/OP/24 (1)/VOL.6 (26) of 30 December, 2019. There was no gazette notice by the Cabinet Secretary invoking the earlier Legal No. (183/2018).

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

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

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

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

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

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.

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

### 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

#### Unapproved Board Meetings

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

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

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



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 those Charged with Governance**

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

Management is 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 standard which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Bureau's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant 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.

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 ISSAs. 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 the policies and procedures may deteriorate.

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

- 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 sustainability of services, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability

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

- 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 Bureau 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

27 January, 2022



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

**XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2020**

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

	Notes	2019/2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Standards Levy	1	617,261,104	582,749,455
Revenue from exchange transactions			
Rendering Of Services	2	3,021,672,059	3,511,904,754
Government Transfer-( R/IP & NRF)	3	7,000,000	15,225,500
Finance Income	4	26,495,146	72,216,394
Other Income	5	12,509,821	11,046,167
<b>Total revenue</b>		<b>3,684,938,130</b>	<b>4,193,142,269</b>
Expenses			
Employee costs	6	2,694,113,148	2,794,058,618
Remuneration of directors	7	44,621,010	79,617,127
Depreciation and amortization expense	8	140,754,938	194,627,785
Repairs and maintenance	9	219,473,807	284,127,330
Contracted services	10	22,686,058	21,018,257
General expenses	12	662,612,472	931,518,504
Finance costs	13	-	53,871,232
<b>Total expenses</b>		<b>3,784,261,433</b>	<b>4,358,838,852</b>
Other gains/(losses)			
Gain on Disposal			459,269
<b>Deficit for the period</b>		<b>(99,323,302)</b>	<b>(165,237,314)</b>
Remittance to National Treasury		-	-
<b>Net Deficit for the year</b>		<b>(99,323,302)</b>	<b>(165,237,314)</b>

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


XIII. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Notes	2019/2020 Kshs	2018-2019 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	196,138,873	1,714,218,295
Receivables from exchange transactions	15	431,127,162	488,453,917
Current portion of long-term receivables from exchange transactions	15	734,357,488	683,774,054
Receivables from non-exchange transactions	16	31,047,008	36,271,886
Inventories	17	109,536,097	69,287,674
<b>Total Current Assets</b>		<b>1,502,206,628</b>	<b>2,992,005,827</b>
<b>Non-current assets</b>			
Property, plant and equipment	21	3,297,371,006	3,246,227,002
Intangible assets	22	5,787,139	8,267,342
<b>Total assets</b>		<b>4,805,364,773</b>	<b>6,246,500,171</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	18	487,092,234	500,264,351
Current portion of borrowings	19	31,821,486	110,707,039
<b>Non-current liabilities</b>		<b>518,913,720</b>	<b>610,971,390</b>
<b>Total liabilities</b>		<b>518,913,720</b>	<b>610,971,390</b>
<b>Net assets</b>		<b>4,286,451,053</b>	<b>5,635,528,781</b>
Revaluation Reserves		990,156,591	990,156,591
Accumulated surplus		2,300,826,256	3,645,149,558
Capital Fund		995,468,206	995,468,206
<b>Total net assets and liabilities</b>		<b>4,286,451,053</b>	<b>5,630,774,355</b>

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

  
Managing Director  
Lt Col (Rtd) Bernard N. Njiraini

  
Director Finance and Strategy  
Mohammed Adan  
ACCA Member:10084733/1562/782

  
NSC Chairman  
Eng. Bernard Njore

Date: 30.03.2021

Date: 29/03/2021

Date: \_\_\_\_\_



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

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

	Revaluation reserve	Retained earnings	Capital/Development Grants/Fund	Total
<b>At June 30, 2018</b>	990,156,591	3,810,386,872	995,468,206	5,796,011,669
Total comprehensive income	-	(165,237,314)	-	(165,237,314)
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
<b>At June 30, 2019</b>	990,156,591	3,645,149,558	995,468,206	5,630,774,355
Total comprehensive income	-	(99,323,302)	-	(99,323,302)
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
Transfer to National Treasury	-	(1,245,000,000)	-	(1,245,000,000)
<b>At June 30, 2020</b>	990,156,591	2,300,826,256	995,468,206	4,286,451,053

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

	Note	2019/2020 Kshs	2018-2019 Kshs
<b>Net cash flows from operating activities</b>			
Cash flows from investing activities		(83,660,684)	(759,554,743)
Purchase of property, plant, equipment and intangible assets			
Add Back - Equipment Grant ( Smap)	21	(189,418,739)	(206,005,778)
Proceeds from sale of property, plant and equipment			2,072,000
<b>Net cash flows used in investing activities</b>			
Transfer to National Treasury		(273,079,423)	(203,933,778)
<b>Net Change in cash and cash equivalents</b>		(1,245,000,000)	
		(1,518,079,423)	(963,488,521)
Cash and cash equivalents at beginning.		1,714,218,296	2,677,706,819
<b>Cash and Cash Equivalents as at 30th June</b>	14	196,138,873	1,714,218,296

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

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED  
JUNE 30, 2020

	Original budget 2019/2020	Adjustments 2019/2020	Final budget 2019/2020	Actual on comparable basis 2019/2020	Performance difference 2019/2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Standards Levy	860,585,560	-	860,585,560	617,261,104	(243,324,456)
Revenue from exchange transactions					
Rendering of services	3,295,029,625	213,263,320	3,508,292,945	3,021,672,059	(486,620,886)
Government Transfer-(RIP)	28,100,000	(13,000,000)	15,100,000	7,000,000	(8,100,000)
Finance Income	54,000,000	(29,784,500)	24,215,500	26,495,146	2,279,646
Other Income	4,103,000	18,000	4,121,000	12,509,821	8,388,821
Total revenue	4,241,818,185	170,496,820	4,412,315,005	3,684,938,130	(727,376,875)
Expenses					
Employee costs	2,809,107,690	120,251,560	2,929,359,250	2,694,113,148	235,246,102
Remuneration of directors	50,000,000	24,960,000	74,960,000	44,621,010	30,338,990
Depreciation and amortization expense	166,257,000		166,257,000	140,754,938	25,502,062
Repairs and maintenance	291,930,200	(9,888,650)	282,041,550	219,473,807	62,567,743
Contracted services	46,300,000	100,000	46,400,000	22,686,058	23,713,942
General expenses	1,079,520,295	60,033,910	1,079,554,205	662,612,472	416,941,733
Finance costs					
Total expenditure	4,383,115,185	195,456,820	4,578,572,005	3,784,261,433	794,310,572
Adjustment for Disposal					
Surplus for the period	(141,297,000)	-	(141,297,000)	(99,323,302)	-

Notes for material deviation

j) Standards Levy

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

ii) Rendering of Services

a. Destination inspection and Motor Vehicle Inspection

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

b. Industrial Training and System Certification

The variation was due to:

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

Summary of reallocations

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

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

**XVII. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

KEBS was established under an Act of Parliament and derives its authority and accountability from the Standards Act (Cap.496). KEBS is a state corporation and is domiciled in Kenya. KEBS principal activities include development of Kenya Standards, dissemination of standards related information, dissemination of measurement standards, calibration of measurements and testing equipment, laboratory testing, quality assurance, and systems certification, training and quality inspection of all imports.

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

KEBS financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The Financial statements are presented in Kenya Shillings (Kshs) which is the functional and reporting currency. All values have been rounded to the nearest shilling. The accounting policies have been applied consistently.

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

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



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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- 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:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> 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> <p>The standard is currently not applicable to KEBS.</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> 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 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>• The nature of such social benefits provided by the entity;</li> <li>• The key features of the operation of those social benefit schemes; and</li> <li>• The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p>The Standard is applicable to KEBS and will consider to adopt it when it becomes effective.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <ol 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> </ol>

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Standard	Effective date and impact:
Other Improvements to IPSAS	<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>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 of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</li> <li>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.</li> </ul>

**iii. Early adoption of standards**

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

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NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from non-exchange transactions- IPSAS 23

Standards Levy Fees

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

ii. Rendering of services

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

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

iii. 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.

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

b) Budget information – IPSAS 24

The original budget for FY 2019-2020 was approved by the National Treasury on 21<sup>st</sup> June 2019. 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 KEBS upon receiving the respective approvals in order to conclude the final budget.

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

c) Taxes

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 tax authority is included as part of receivables or payables in the statement of financial position.

KEBS recognises expenses and assets at gross amount.



**KENYA BUREAU OF STANDARDS  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Corporation tax**

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

**d) Property, plant and equipment –IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, such parts are recognized as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment 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 on a reducing balance at the indicated annual rates:

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

Free hold land and work in progress is not depreciated.

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

**e) Operating Leases -IPSAS 13**

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

KEBS operating leases are in the form of rental premises and leased printing machines. The payments are expenses in the statement of financial performance

**f) Intangible assets –IPSAS 31**

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

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

**g) Inventories – IPSAS 12**

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

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NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

h) Financial Instruments – IPSAS 29

**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 Entity determines the classification of its financial assets at initial recognition.

**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 Entity 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.  
KEBS does not have any financial instrument.

j) Provisions –IPSAS 19

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

**Contingent liabilities**

Contingent liabilities are possible obligations that arose from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events but is not recognized because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability

KEBS does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**Contingent assets**

KEBS does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are 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.

**Nature and purpose of reserves**

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

**KENYA BUREAU OF STANDARDS  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

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

**k) Employee benefits – IPSAS 39**

**Retirement benefit plans**

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

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

**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.

**l) Related parties- IPSAS 20**

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

**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.

**Comparative figures**

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

**Subsequent events**

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2020.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>6. EMPLOYEE COSTS</b>		<b>2019/2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Basic Salary	1,404,038,917	1,411,676,287	
House Allowance	374,234,820	364,596,932	
Commuter & Other Expenses	172,850,871	208,690,035	
Gratuity and Pension Expenses	268,292,470	232,153,844	
NSSF Contribution	2,614,000	2,426,400	
Transfer Allowance	16,719,160	13,066,991	
Leave Allowance	46,953,388	48,030,500	
Performance Management	2,958,220	4,463,134	
Alcohol & Drug Prevention and HIV Program	3,306,338	6,009,825	
Medical Insurance	191,019,767	197,932,835	
Staff Awards & Honoraria	18,413,990	18,371,000	
Local Travelling and Accommodation	142,730,060	201,380,673	
External Travelling	49,981,146	85,260,162	
<b>Total Employee Cost</b>	<b>2,694,113,148</b>	<b>2,794,058,618</b>	
<b>7. REMUNERATION OF DIRECTORS</b>			
<b>Description</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	<b>Kshs</b>	<b>Kshs</b>	
Board Meeting Expenses	44,621,010	79,617,127	
Total Director Emoluments	44,621,010	79,617,127	
<b>8. DEPRECIATION AND AMORTIZATION EXPENSE</b>			
<b>Description</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	<b>Kshs</b>	<b>Kshs</b>	
Property, plant and equipment	138,274,735	191,084,638	
Intangible assets	2,480,203	3,543,146	
<b>Total Depreciation and Amortization</b>	<b>140,754,938</b>	<b>194,627,785</b>	
<b>9. REPAIRS AND MAINTENANCE</b>			
<b>Description</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	<b>Kshs</b>	<b>Kshs</b>	
Transport Operating	18,232,006	19,180,005	
Computer Expenses	138,593,679	163,302,362	
Maintenance of Office Equipment	10,373,321	26,704,430	
Maintenance of Physical Standards & Lab Equipment	11,286,930	13,821,946	
Maintenance of Building	39,162,113	51,676,637	
Civil & Engineering Alteration	1,825,758	9,441,950	
<b>Total Repairs and Maintenance</b>	<b>219,473,807</b>	<b>284,127,330</b>	

**KENYA BUREAU OF STANDARDS  
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<b>10. CONTRACTED SERVICES</b>			
<b>Description</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	<b>Kshs</b>	<b>Kshs</b>	
Contracted Professional services	22,686,058	21,018,257	
<b>Total Contracted Services</b>	<b>22,686,058</b>	<b>21,018,257</b>	
<b>11. GRANTS AND SUBSIDIES</b>			
<b>Description</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	<b>Kshs</b>	<b>Kshs</b>	
International Atomic Energy Agency	49,162,428	49,162,428	
Kenya Government Grant	612,776,307	612,776,307	
W. Germany Government Grant	64,921,147	64,921,147	
World Trade Organisation Grant	899,479	899,479	
World Bank Grant	39,722,771	39,722,771	
Intertek	1,809,742	1,809,742	
UNIDO	13,539,254	13,539,254	
Trade Mark East Africa	58,910,057	58,910,057	
Time Electronics	328,699	328,699	
Smap Grant	153,398,322	153,398,322	
<b>Total Grants and Subsidies</b>	<b>995,468,206</b>	<b>995,468,206</b>	

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. GENERAL EXPENSES		2019/2020	2018-2019
Description		Kshs	Kshs
Post and Delivery		6,610,344	7,760,008
Telephone		6,864,895	7,040,141
Tender Expenses		5,731,580	12,957,125
Electricity, Water and Conservancy		34,982,372	33,318,248
Fuel		22,324,683	26,033,678
Publishing and Printing		2,943,476	5,433,558
Purchase of Uniforms and Clothings		2,277,386	8,720,200
Library		4,612,996	6,442,630
Purchase of Stationery		25,020,071	40,714,570
Advertising and Publicity		19,921,907	37,341,519
Show and Exhibitions		26,805,757	35,650,920
Sports and Welfare		54,766,305	65,808,836
Rent and Rates		29,642,469	35,635,581
Hire of Transport		183,955	1,040,802
Audit fees		696,000	696,000
Security		23,902,607	20,468,907
Subscriptions		13,276,102	19,090,883
Training		21,555,721	67,993,351
Seminar		37,358,391	60,676,469
World Standards and Metrology days		3,711,640	5,214,450
Environment, Health & Safety Services		7,524,798	7,869,038
Legal Expenses		84,365,122	110,163,780
Research and Development in Metrology		4,806,203	9,739,204
Laboratory Material Chemicals & Reagents		87,543,694	116,401,173
Standards Enforcement		8,585,675	12,940,171
Certification Services		3,889,353	10,128,639
Standards Development		48,821,120	46,223,768
Accreditation Services		34,062,727	40,325,865
BIPM CMC Programme		2,511,142	461,654
Kenya National Committee of IEC		1,398,687	2,754,247
Quality Awards		1,303,150	5,086,112
Insurance		14,549,514	37,910,129
Bank Charges		2,933,627	1,414,016
Regional Integration expenses		12,454,261	25,328,366
Hortigreen Expenses		2,514,950	1,421,420
NRF Expenses		2,159,789	5,313,047
Total General Expenses		662,612,472	931,518,504



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

**KENYA BUREAU OF STANDARDS  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

<b>(i) Current Accounts</b>	<b>ACCOUNT No.</b>	<b>2019/2020</b>	<b>2018/2019</b>
<b>FINANCIAL INSTITUTION</b>		<b>Kshs</b>	<b>Kshs</b>
National Bank of Kenya	0100-3002-830-600		38,105,999
National Bank of Kenya	0100-3002-830-602	3,913,076	
National Bank of Kenya	0100-3002-830-603	2,264,774	1,412,128
National Bank of Kenya	0100-3002-830-604		24,961,655
National Bank of Kenya	0100-3002-830-605	2,949,676	1,157,438
National Bank of Kenya	0100-3002-830-606	1,639,754	437,274
National Bank of Kenya	0100-3002-830-607	4,062,318	2,990,121
National Bank of Kenya	0100-3236-26100	547,979	901,028
National Bank of Kenya	0200-302-830-600	26,441,315	164,164,450
National Bank of Kenya	0100-343-159-300	47,137	
National Bank of Kenya	0100-320-408-500	2,592,975	
National Bank of Kenya	0100-328-362-800	1,327,590	1,075,166
National Bank of Kenya	0100-10510-9703	2,167,948	3,199,785
Kenya Commercial Bank	110-783-946-7	1,236,910	1,136,588
Kenya Commercial Bank	110-761-835-5	6,648,935	151,298,370
Co-operative Bank	212-050-445-4700	322,589	60,345,283
Co-operative Bank	114-415-044-547-00	12,989,097	23,678,399
M-PESA	804700		3,568,230
<b>TOTAL</b>		<b>69,152,071</b>	<b>478,431,914</b>
<b>(ii) Fixed Deposits</b>			
National Bank of Kenya		16,290,739	1,075,970,860
Kenya Commercial Bank			
Cooperative Bank			
<b>TOTAL</b>		<b>16,290,739</b>	<b>1,075,970,860</b>
<b>(iii) Staff Mortgage</b>			
Kenya Commercial Bank		110,245,409	159,040,466
<b>Others</b>			
Cash At Hand		450,654	775,056
<b>Grand Total</b>		<b>196,138,873</b>	<b>1,714,218,295</b>

**KENYA BUREAU OF STANDARDS  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>15. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		<b>2019/2020</b>	<b>2018-2019</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Current receivables			
Trade Debtors	369,078,793		415,593,650
Makhecha & Company Advocates	17,500,000		17,500,000
Prepayments	2,697,529		2,697,529
Staff Advances	15,618,276		40,292,089
Miscellaneous Debtors	1,585,822		1,585,822
NBK-Interest receivable	121,280		6,444,161
Provision for doubtful debts	(58,017,983)		(58,017,983)
Prepayments (Medical Insurance)	82,543,444		62,358,649
<b>Total Current receivables</b>	<b>431,127,162</b>		<b>488,453,917</b>
Non-current receivables			
Staff Mortgage Scheme	734,357,488		683,774,054
Total non-current receivables	734,357,488		683,774,054
<b>Total Receivables From Exchange Transactions</b>	<b>1,165,484,650</b>		<b>1,172,227,971</b>
<b>16. RECEIVABLES FROM NON-EXCHANGE CONTRACTS</b>			
<b>Description</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	<b>Kshs</b>	<b>Kshs</b>	
Current receivables			
Kenya Revenue Authority	31,047,008		36,271,886
Total current receivables	31,047,008		36,271,886
<b>17. INVENTORIES</b>			
<b>Description</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	<b>Kshs</b>	<b>Kshs</b>	
Stationery	24,064,117		34,456,134
Bio Chemical Stock	14,135,003		12,263,788
Standards Stock	63,686,425		15,897,272
Engineering Stock	7,650,552		6,670,480
<b>Total inventories at the lower of cost and net realizable value</b>	<b>109,536,097</b>		<b>69,287,674</b>



KENYA BUREAU OF STANDARDS  
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18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Description	2019/2020	2018-2019	
	Kshs	Kshs	
General Trade Creditors	233,450,084	206,152,579	
Library Deposits	93,600	93,600	
Audit Fees Payable	696,000	696,000	
Accrued Retention Fee	28,300,877	37,801,679	
ISM Account	93,255,248	93,255,248	
Staff Deductions Payable	-	63,650,049	
Accrued Expenses -ISM Mark	59,532,397	59,532,397	
Staff Performance Reward Arrears Payable	34,394,628	-	
Accrued Legal Expenses	30,012,314	30,012,314	
Other Creditors	3,706,869	3,706,869	
Unexpended Conditional Grant( NRF& Hortigreen)	831,107	5,363,616	
Accrued Pvoc Refunds	2,819,111		
Total Trade and Other Payables	487,092,234	500,264,351	
<b>19. BORROWINGS</b>			
Description	2019/2020	2018-2019	
	Kshs	Kshs	
Balance as at 1st JULY	110,707,039	938,695,028	
Bank overdraft during the year	(78,885,553)	(823,233,563)	
Balance at end of the period	31,821,486	115,461,465	
<b>Domestic Borrowings</b>			
bank Overdraft from NBK	31,821,486	115,461,465	
Total balance at end of the year	31,821,486	115,461,465	
<b>Description</b>			
	2019/2020	2018-2019	
	Kshs	Kshs	
Short term borrowings(current portion)	31,821,486	115,461,465	
Total Borrowings	31,821,486	115,461,465	

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

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21. PROPERTY, PLANT AND EQUIPMENT							
	Land	Buildings	Work in progress	Plant & equipment, furniture and fittings	Computers	Motor Vehicles	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 30th June 2018	127,390,000	1,837,185,861	115,972,720	2,002,179,225	326,442,325	405,374,501	4,814,544,631
Additions			23,444,480	77,238,826	19,332,472	85,990,000	206,005,778
Disposals							
Transfer/adjustments						1,612,731	1,612,731
At 30th June 2019	127,390,000	1,837,185,861	139,417,200	2,079,418,051	345,774,797	489,751,770	5,018,937,679
Additions	-	1,093,381	97,523,523	72,495,656	18,306,178		189,418,739
Disposals							
Transfer/adjustments							
At 30th June 2020	127,390,000	1,838,279,242	236,940,723	2,151,913,707	364,080,975	489,751,770	5,208,356,417
Depreciation and impairment							
At 30th June 2018	-	82,830,994	-	998,983,389	247,593,431	252,218,224	1,581,626,038
Depreciation		6,080,053		108,043,466	29,454,410	47,506,709	191,084,638
Disposals							
Impairment							
Transfer/adjustment							
At 30th June 2019	-	88,911,047	-	1,107,026,855	277,047,841	299,724,934	1,772,710,676
Depreciation		6,080,053		104,488,685	8,703,313.41	19,002,684	138,274,735
Disposals							
Impairment							
Transfer/adjustment							
At 30th June 2020	-	94,991,100	-	1,211,515,540	285,751,154	318,727,617	1,910,985,412
Net book values							
At 30th June 2018	127,390,000	1,754,354,867	115,972,720	1,003,195,836	78,848,894	153,156,277	3,232,918,593
At 30th June 2019	127,390,000	1,748,274,814	139,417,200	972,391,196	68,726,956	190,026,837	3,246,227,002
At 30th June 2020	127,390,000	1,743,288,142	236,940,723	940,398,167	78,329,821	171,024,153	3,297,371,006



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22. INTANGIBLE ASSETS-SOFTWARE		
Description	2019/2020	2018-2019 Kshs
<b>Cost</b>		
At beginning of the year	143,717,912	143,717,912
Additions	-	-
At end of the year	143,717,912	143,717,912
Additions-internal development	-	-
At end of the year	143,717,912	143,717,912
<b>Amortization and impairment</b>		
At beginning of the year	135,450,570	131,907,424
Amortization	2,480,203	3,543,146
At end of the year	137,930,773	135,450,570
Impairment loss	-	-
At end of the year	137,930,773	135,450,570
<b>NBV</b>	<b>5,787,139</b>	<b>8,267,342</b>

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**23. Financial Risk Management**

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

**a) Credit Risk**

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

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

**b) Liquidity Risk**

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

<b>Liquidity Risk Management</b>	<b>Less than 1 month Kshs</b>	<b>Between 1-3 months Kshs</b>	<b>Over 3 months Kshs</b>	<b>Total Kshs</b>
<b>As At 30th June 2020</b>				
Trade payables	92,271,546	61,564,525	79,614,013	233,450,084
Current portion of borrowings	31,821,486	31,821,486	31,821,486	31,821,486
<b>Total</b>	<b>124,093,032</b>	<b>93,386,011</b>	<b>111,435,498</b>	<b>328,914,541</b>
<b>As At 30th June 2019</b>				
Trade payables	114,565,646	54,778,055	65,278,710	234,622,411
Current portion of borrowings	110,707,039	110,707,039	110,707,039	110,707,039
<b>Total Liquidity Risk</b>	<b>225,272,685</b>	<b>165,485,094</b>	<b>175,985,749</b>	<b>566,743,528</b>

**c) Market Risk**

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

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funding of business operations and facilitate capital expansion. The market risk exposure of the company relates primarily to currency and interest rate risk.

**i) Foreign currency risk**

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

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

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

**ii) Interest rate risk**

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

**iii) Capital Risk Management**

The objective of the KEBS capital risk management is to safeguard KEBS ability to continue as a going concern. KEBS capital structure comprises of the following funds:

<b>Capital Risk Management</b>	<b>2019/2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	990,156,591	990,156,591
Retained earnings	2,298,700,858	3,645,149,558
Capital reserve	995,468,206	995,468,206
<b>Total funds</b>	<b>4,284,325,655</b>	<b>5,630,774,355</b>
Total borrowings	31,821,486	110,707,039
Less: cash and bank balances	202,983,482	1,714,218,292
Net debt/(excess cash and cash equivalents)	171,161,996	1,603,511,253
<b>Gearing</b>	<b>19%</b>	<b>7%</b>

**24. Related Party Balances**

**a) Nature of related party relationships**

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



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b) Key Management and Directors remuneration

Key Management Remuneration		2019/2020	2018-2019
		Kshs	Kshs
Key Management remuneration		166,779,104	128,009,056

25. Contingent assets and contingent liabilities

CONTINGENT ASSETS AND CONTINGENT LIABILITIES			
	2019/2020	2018-2019	
<b>Contingent liabilities</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	Kshs	Kshs	
Legal litigation against KEBS	2,732,894,454	2,732,894,454	
<b>Total Contingent Liabilities</b>	<b>2,732,894,454</b>	<b>2,732,894,454</b>	

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

26. Capital Commitments (IPAS 17)

CAPITAL COMMITMENTS			
	2019/2020	2018-2019	
<b>Capital commitments</b>	<b>2019/2020</b>	<b>2018-2019</b>	
	Kshs	Kshs	
Authorised and Contracted for:	45,228,357	265,325,256	
<b>Total</b>	<b>45,228,357</b>	<b>265,325,256</b>	

Capital Commitments of Kshs 45.3 Million relates to Local Purchase Orders issued/raised for capital items such as supply of lab equipment and office equipment.

27. Events after the reporting period

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

28. Ultimate and Holding Entity

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

29. Currency

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

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion					
1	Makecha & Company Limited Kes 17,500,000	This is a 1998 Matter which was forwarded to Inspectorate of State Corporation in July 2011 for further direction. The Inspectorate of State Corporation in their letter dated 15th March 2013 recommended that the matter be referred to Ethics and Anti-Corruption Commission. The Principal owner of the law firm passed on several years ago and the law firm is inactive. The debt is unlikely to be recovered	Director Finance & Strategy	Not Resolved	Undetermined.
				The National Standards Council approved the write off.	
				Request for approval of write off was made to The National Treasury in January 2017 and a resubmission made on 13 <sup>th</sup> July 2018.	
				Response from the Ethics and Anti-Corruption Commission for further direction is yet to be received.	
				KEBS is still following up with The National Treasury on the write off.	

Receivables from Exchange Transactions

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



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		The preliminary costs were paid on the work done		the amount was now a sunk cost.	
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<b>3 Legal Matters</b>						
a	Procurement of Legal Firms		Head of Legal	Not Resolved		<p>On 1<sup>st</sup> August 2017, the NSC held special meeting considered and approved the engagement of expanded legal team of Rachier &amp; Amollo Advocates and Iseme, Kamau &amp; Maema Advocates and the approval of the said legal fees. The procurement of the said Law firms was necessitated by the urgency and the impact that the matter had on the operations of KEBS.</p>
						<p>Rachier &amp; Amollo &amp; Co Advocates is on the list of pre-qualified list for providers of legal service for the period 2015/2016-2018</p>
b	Direct Procurement- Legal Firms		Head of Legal	Not Resolved	<p>The deputy registrar of the High Court of Kenya issued a certificate of taxation requiring KEBS to pay a sum of 36,333,040.00 KEBS opted to pay the initial fees of Kes 17,760,000 Million.</p>	<p>Nungo, Odour &amp; Waigwa Co. Advocates are among KEBS panel of external law firms. Direct procurement was used in line with the provisions under the Public Procurement and Assets Disposal Act 2015. The Firm had been procured to offer legal service of revision of the Standards Act and the National Quality Policy. The legal fee of Kes 17,760,000 charged by the firm was not honoured and this necessitated the law firm to file a taxation case against KEBS in High Court of Kenya at Nairobi Commercial &amp; Admiralty Division Misc. Application No. E001 of 2018</p>
						<p>Legal notice no. 106 of 18<sup>th</sup> June 2013 set the maximum expenditure under request for quotation to be Kes 2,000,000 for Goods</p>
4	Procurement of Goods		Head of Procurement	Not Resolved	<p>These items are laboratory consumables that have a</p>	

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		and services and Kes 4,000,000 for works. The LPOs awarded under KEBS/473/2018/2019 and KEBS/308/2018/2019 were for different firms and for different items the maximum expenditure under each item was below Kes 2,000,000.		short shelf life and could not be bought through open tender since the procurement is on a need basis based on requests made from different laboratories as need for standards and quality testing arise. Also some of the reagents, chemicals and consumables are highly perishable and demand to be used within the shortest time after delivery.	
		In this particular case the quotations were sent for all the items at one quotation for convenience purpose and to save on resources			
5	Trade and other Payables	The amount thereof relates to disputed amounts and those with unsupported documents. The necessary process and engagements are ongoing with the relevant suppliers	Director Finance & Strategy	<b>Not Resolved</b> KEBS has since been settling undisputed and fully supported bills within a timely manner based on the availability of funds and closing on any items that may be disputed or not fully supported.	2020/2021
6	<b>Cash and Cash Equivalents</b>				
a	Lake Region-Cash Management and Revenue Collection	Revenue collection is banked in collections account while payments for the region operations is done through the operations account. The credits to regional operations account arise from reimbursements from the head office. Payment authorization and withdrawal of funds from regional bank operations account is done at the regional	Director Finance & Strategy	<b>Not Resolved</b> The reported occurrence on banking to operations bank account is currently under investigation	Undetermined

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



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1	Supply and Implementation of Application Software for	This relates to a contract which was awarded in February 2012 to Circuit Business System. The contract was expected to be completed by January 2013		<p><b>Not Resolved</b>          This project was terminated and contractual options in regard to compensation to KEBS is still being pursued</p>	Undetermined
	KEBS Integrated Quality Assurance and Inspection Operation	but this was not the case. The progress towards completion of the project was extremely slow despite consultative meetings held between the contractor and KEBS both at the technical and management levels. The objectives were not attained and the project never reached the end. Several assurances from the contractor team bore no fruits.		<p><b>Way forward</b>          KEBS is currently in the process of automating some of its key services with an expected integrated system for Quality Assurance, Import Inspection, Market Surveillance, Standards Development &amp; Trade and Standards Levy. The system is called "Integrated Quality Assurance, Inspection, Market Surveillance, Standards Levy and Standards Development &amp; Trade Management Information System" (KIMS). The current project status is 66% as at 1<sup>st</sup> June 2020.</p>	2020/2021

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2	Pre-Export Verification of Conformity (PVO) for Exports to Kenya	M/s Tellam freighters fraudulently released these goods from the port without KEBS intervention, KEBS as a matter of action blacklisted the agent and placed a demand to the agent to recover the unpaid penalties. The firm has not been active since November 2015. KEBS also entered into agreement with KRA that customs entries for goods not accompanied with Certificates of Conformity (CoCs) issued by any of KEBS appointed inspection agent will only be passed by Customs department after satisfactory quality inspection by KEBS.	Director Quality Assurance & Inspection	The firm is inactive since November 2015	Undetermined
3	Irregular Recruitment Process (Director Market Surveillance Position and Managing Directors Position	The process was done in line with the HR Policy	Director HR and Administration	Pending Compliance to HR Policy	

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4	National Standard Council travels to China, India, Japan and UAE	<p>KEBS mandate is to ensure that the goods placed in the market comply with Kenya Standards with the main objective of ensuring protection of the health and safety of all consumers as well as the environment. KEBS has contracted various agents to carry out inspection of goods destined for the Kenyan Market to ensure seamless implementation of the PVOC program as well as facilitate trade without creating unnecessary hurdles and delays.</p>	Head of Legal	Pending	
		<p>During the period under audit Kenya had been experiencing an influx of substandard products in the market. The PVOC program is organized to prevent importation of such products into the country. The government had intensified its fight against illicit trade and therefore it was critical to evaluate the organization, implementation and monitoring of the PVOC program. Given that the National Standards Council (NSC) has the oversight roles over KEBS, they planned to visit the PVOC agents in selected countries of operation to oversee, inspect the facilities and the operations of the agents and ascertain that the agents had the capacity to meet the objectives of the program to protect the health and safety of Kenyans. The result from the visit was to review the program in view of enhancing it to deliver in its objectives.</p>			



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5	Un Updated list of prequalified Suppliers	<p>It is also worth noting that this was a new board given that seven (7) members of the board retired on 16<sup>th</sup> April 2018. Two (2) of whom were reappointed on 16<sup>th</sup> May 2018, One (4) new appointments on 10<sup>th</sup> May 2018 and on 14<sup>th</sup> December 2018 respectively. Due to a great number of board members being new there was need for them to understand the PVOc program so that they could perform the oversight role more effectively and efficiently. The travel was in selected countries of operations and hence the need for KEBS staff to travel with the board members to facilitate a deeper understanding of the PVOc program.</p> <p>The visit was also a planned activity as per the NSC work plan for 2018/2019 financial year. The NSC prior to the travel received all the necessary approvals and clearances to undertake the activity. The associated expenses thereof were within the NSC approved budget for 2018/2019 financial year</p>	Head of Procurement	<p>Pending                  The list has since been circulated to the regions and Headquarters as per the attached communication and the updated list of prequalified suppliers</p>	Done
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**XIX. PROJECT IMPLEMENTED BY KENYA BUREAU OF STANDARDS**

There is currently no project funded by the development partners, only budget support for specific activities is provided for.