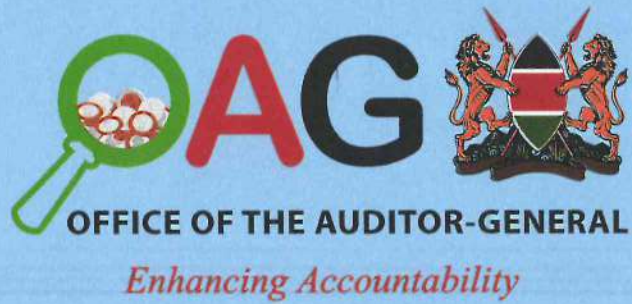


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA BUREAU OF STANDARDS (KEBS)

**FOR THE YEAR ENDED
30 JUNE, 2023**





KENYA BUREAU OF STANDARDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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



Table of Contents	Page
1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS	v
2. KEY ENTITY INFORMATION AND MANAGEMENT	viii
3. THE NATIONAL STANDARDS COUNCIL (NSC)	xii
4. MANAGEMENT TEAM	xvi
5. CHAIRMAN'S STATEMENT	xx
6. REPORT OF THE MANAGING DIRECTOR	xxii
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/23	xxiv
8. CORPORATE GOVERNANCE STATEMENT	xxvi
9. MANAGEMENT DISCUSSION AND ANALYSIS	xxx
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxxvi
11. REPORT OF THE DIRECTORS	xl
12. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xli
13. REPORT OF THE INDEPENDENT AUDITOR FOR THE KENYA BUREAU OF STANDARDS	xlii
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023	5
19. NOTES TO THE FINANCIAL STATEMENTS	6
APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR GENERAL'S RECOMMENDATIONS	29
APPENDIX 2: TRANSFER FROM OTHER GOVERNMENT ENTITIES	33

List of figures

Figure 1: KEBS Strategic Direction ix

Figure 2: Board Composition xxvi

Figure 3: NSC Gender Composition xxvi

Figure 4: NSC Committees xxvii

Figure 5: Revenue xxx

Figure 6: Revenue streams by Percentage xxxi

Figure 7: Comparative expenditure for FY 2019 to 2023 xxxi

Figure 8: Recurrent Expenditure xxxii

Figure 9: Revenue and Expenditure performance xxxii

Figure 10: Total Assets xxxiii

Figure 11: KEBS Environmental Policy xxxviii

Figure 12: KEBS team donate food stuffs to school children. xxxviii

Figure 13: KEBS team pose for a group photo after adopting. xxxviii

Figure 14: KEBS Marketing Team enlightening school students on Hombe forest xxxix

List of Tables

Table 1: Key Management Personnel	x
Table 2: NSC Committee Meetings	xxix
Table 3: Successes and Shortcomings	xxxv
Table 4: Board Directors Appointment and Exits	xl

1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A. ACRONYMS AND ABBREVIATIONS

ABMS	Anti- Bribery Management System
ACCA	Association of Chartered Certified Accountants
AGPO	Access to Government Procurement Opportunities
AfCFTA	African Continental Free Trade Area
ARSO	African Organization for Standardization
BCom	Bachelor of Commerce
BCMS	Business Continuity Management System
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
CPA (K)	Certified Public Accountant, Kenya
CPS	Certified Public Secretary
CPS (K)	Certified Public Secretary, Kenya
CSR	Corporate Social Responsibility
EA	East Africa
EAC	East African Community
EBK	Engineers Board of Kenya
EGMS	Excisable Goods Management System
EHS	Environment, Health & Safety
FAO	Food and Agriculture Organization
FKE	Federation of Kenya Employers
FY	Financial Year
IIA	Institute of Internal Auditors
ICPSK	Institute of Certified Public Secretaries of Kenya
IFC	International Finance Corporation
IEC	International Electrotechnical Commission
ISO	International Organization for Standardization
IEK	Institution of Engineers of Kenya
ISMS	Information Security Management System
JKUAT	Jomo Kenyatta University of Agriculture and Technology

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023

KEBS	Kenya Bureau of Standards
KENAS	Kenya Accreditation Services
KFS	Kenya Forest Services
KEPSA	Kenya Private Sector Alliance
KENTRADE	Kenya Trade Network Agency
KPI	Key Performance Indicator
MBA	Master's in Business Administration
MD	Managing Director
MSC	Master of Science
MSME	Micro Small and Medium Enterprises
MTP	Medium Term Plan
NEMA	National Environment Management Authority
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 Corporations Advisory Committee
SMCA	Standards, Metrology and Conformity Assessment
SDGs	Sustainable Development Goals
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
DOSH	Directorate of Occupational Safety and Health
CSI	Corporate Social Investment
KNEC	Kenya National Examination Council
NHIF	National Hospital Insurance Fund

B. GLOSSARY OF TERMS

Fiduciary Management - Members of Management directly entrusted with the responsibility of financial resources of the organisation.

Comparative Year - Means the prior period.

Cash Flow - The sum of cash flow arising from operating activities and cash flow arising from investing activities. Also referred to as cash flow before financing activities.

Working capital - Inventories plus trade accounts receivable less trade accounts payable. It does not include receivables from and liabilities to related parties or sale of trade accounts receivable.

Books of account - These are the books that must be kept by a business or organisation to record its financial transactions accurately.

Capital commitment - These are the agreed and contracted for amounts, before the end of the financial year, to be spent after the end of the accounting period on buying of fixed assets.

Contingent liability - This is money which might be owed to an entity if a particular event happens.

Current assets - These are short-term assets which are constantly changing in value, such as stocks, debtors and bank balances and can easily be converted into cash.

Current liabilities - These are short-term liabilities which are due to be paid in less than one year, such as bank overdrafts, money owed to suppliers and employees.

Depreciation - This is the drop in value of an asset due to wear and tear, age and obsolescence as recorded in an organisation's financial records.

Domiciled - This is the permanent location in which the business is based in a country.

Fixed Asset - This is an asset whose intended use exceeds more than one year like motor vehicle, buildings and machinery.

Financial statement - This is a statement which includes the annual accounts, directors' reports and the environmental sustainability report.

Financial year - This is the period covered by a set of annual financial statements running from 1st July to 30th June.

Intangible assets - These are assets that is not physical in nature including information, goodwill, patent rights, intellectual property, and software.

Related party - This is a person, group of persons or an organisation, which controls or can significantly influence the business operations and policies.

Retained earnings - These are those profits/surpluses earned by a business which have not yet been utilized.

2. KEY ENTITY 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 defines the functions of KEBS and provides for its management and control.

KEBS has remained the premier government agency for the provision of Standards, Metrology and Conformity Assessment (SMCA) services since its inception. Over that period its main activities have grown from the development of standards and quality control for a limited number of locally manufactured 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, harmonization and implementation of SMCA activities at the regional and African level. KEBS is an active member of the Africa Organization for Standardization (ARSO) and other international standards bodies such as ISO, IEC, BIPM and Codex Alimentarius. KEBS operates the National Enquiry Point in support of the WTO Agreements on Technical Barriers to Trade (TBT) and facilitates trade in accordance with the Common Market for Eastern and Southern Africa (COMESA) treaty.

KEBS is governed by the KEBS Board of Directors also known as the National Standards Council (NSC). The NSC is the policy-making body for supervising and controlling the administration and financial management of the Bureau. The Managing Director is the Chief Executive responsible for the day-to-day administration of the Bureau within the broad guidelines formulated by the NSC.

KEBS is structured into seven Directorates namely: -

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

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

(b) Principal Activities

i. KEBS Mandate

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

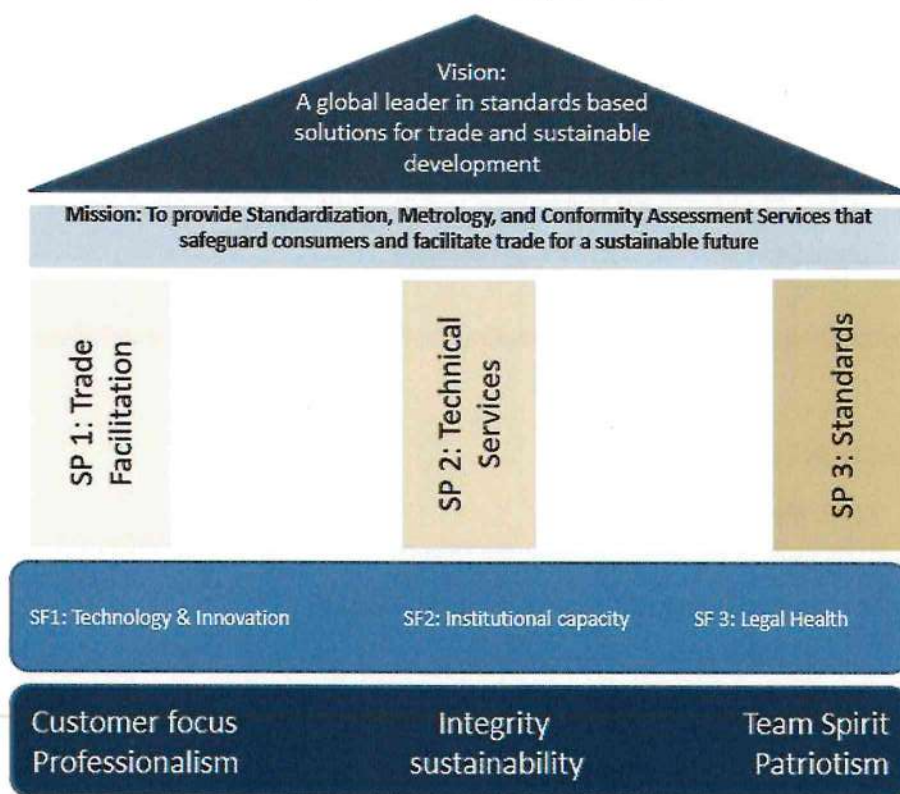
- a) To promote standardization in industry and commerce;
- b) To make arrangements or provide facilities for the testing and calibration of precision instruments, gauges and scientific apparatus, for the determination of their degree of accuracy by comparison with standards approved by the Minister on the recommendation of the Council, and for the issue of certificates in regard thereto;
- c) 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.

- d) To control, in accordance with the provisions of this Act, the use of standardization marks and distinctive marks;
- e) To prepare, frame, modify or amend specifications and codes of practice;
- f) To encourage or undertake educational work in connection with standardization;
- g) 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;
- h) 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;
- i) 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.

ii. KEBS Strategic Direction

KEBS is implementing a five-year strategic plan. The 2022-2027 Strategic Plan defines the strategic direction that KEBS is pursuing to achieve its goals and objectives more efficiently in the dynamic environment in which it operates and overcome threats from the external environment. In the 2022-2027 strategic period, KEBS strategic focus is anchored on three strategic pillars, namely, Trade Facilitation, Technical Services and Standards and three strategic foundations, that is; Technology and Innovation, Institutional Capacity and Legal Health as presented in Figure 1 below.

Figure 1: KEBS Strategic Direction



(c) Key Management

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

- i. The National Standards Council
- ii. Managing Director,
- iii. Directors, and
- iv. Chief Managers/Regional Managers.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility are as listed in Table 1:

Table 1: Key Management Personnel

Sr. No.	Designation	Name
1.	Managing Director	Esther Ngari
2.	Director Finance & Strategy	Mohammed Adan
3.	Acting Director Human Resource & Administration	Joseph Kamochi
4.	Acting Director Standards Development & Trade	Zacharia Lukorito
5.	Director Quality Assurance & Inspection	Dr. Geoffrey Muriira
6.	Director Market Surveillance	Peter Kaigwara
7.	Director Metrology & Testing Services	Dr. Henry Rotich
8.	Director Legal Services & Corporate Secretary	Miriam Boit-Kahiro
9.	Acting Head of Finance	Solomon Naiguta
10.	Acting Head of Audit & Risk	Scholastica Mumbua
11.	Head of Procurement	Jane Ndinya
12.	Head of Planning and Strategy	Samson Butichi

(c) Fiduciary Oversight Arrangements

The NSC is the governing body that is responsible for overseeing KEBS operations. 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 30th June 2023, the NSC consisted of twelve (12) members including the Chairman, Managing Director and the Corporation Secretary. The NSC had four (4) committees namely Standards Appraisal Committee, Technical Trade and Permits Approval Committee, Audit and Risk Committee, Finance, Staff and General-Purpose Committee.

(d) KEBS Headquarters

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

(e) KEBS Contacts

Telephone: (254) 20 6948000
Mobile: 0722 202137 or 0734 600 471/2
Toll Free Line: 1545
E-mail: info@kebs.org
Website: www.kebs.org

(f) KEBS Bankers

1. **National Bank of Kenya Limited**
National Bank Building
Harambee Avenue
P. O. Box 72866-00200
Nairobi - Kenya
2. **Co-operative Bank of Kenya Limited**
Co-operative Bank House
Haile Selassie Avenue
P. O. Box 48231 – 00100
Nairobi – Kenya
3. **Kenya Commercial Bank Limited**
KCB Towers
Kenya Road, Upper Hill
P. O. Box 48400-00100
Nairobi – Kenya

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

3. THE NATIONAL STANDARDS COUNCIL (NSC)



1. Peter Munyiri, HSC, OGW - NSC Chairman
DOB: 8th June 1965

The NSC Chairman Peter Munyiri, HSC, OGW holds an Executive Masters in Business Administration from JKUAT and a Bachelor of Arts in Economics from University of Nairobi. The Chairman is a Fellow of the Kenya Institute of Bankers and an Associate of the Chartered Institute of Bankers (UK). He has served as Chief Executive Officer of Right Consulting Group Limited, Group Managing Director & Chief Executive Officer of Family Bank Kenya Limited, Deputy Chief Executive Officer, KCB Group. He has also served in different Boards and Board Committees of KCB Group and Executive Management Committees. The Chairman has also previously worked in Co-operative Bank and Ministry of Planning and National Development. He joined the NSC on 23rd June 2023.



2. Esther Njeri Ngari - Managing Director and Secretary to the Board
DOB: 30th September 1973

Currently the Acting Managing Director, Esther previously worked as the Director Standards Development and International Trade at Kenya Bureau of Standards for over four (4) years. Esther holds a Master of Business Administration from JKUAT. She is a graduate of Dairy Science and Food Technology from Egerton University. Esther has done Agribusiness, Value Chain Analysis and Development from the University of Queensland, Australia and holds a Professional Diploma in Supply Chain Management by Chartered Institute of Purchasing and Supplies (CIPS) United Kingdom. Esther is trained by Boston Institute in Performance Contracting and Management. She is a certified Lead Auditor for Food Safety Management Systems, Quality Management Systems and Environmental Management Systems. Esther is also trained in Strategic Leadership Development Program.



3. Shallow Abdullahi Yahya - Board Member

DOB: 1st January 1976

Director Shallow Abdullahi Yahya holds a Bachelor in Business Administration (Finance Option) from Zanzibar University. He has served as the Chief Executive Officer of Qaana Contractors limited, Senior Management Consultant at Afrisurge Research & Consultant Firm and a Finance Manager at Aldef Kenya. He has also worked as the Audit Task Manager for European Union Kenya office. He Joined the NSC on 24th February 2023 and is the chair to Finance Staff and General-Purpose Committee.



4. Stephen Kipkosgei Yego - Board member

DOB: 15th September, 1969

Director Stephen Yego holds a Master's in Business Administration in Strategy Management and a Bachelor of Arts (Anthropology & Economics) from University of Nairobi. He has served as the Managing Director at Tarzan Limited, Senior Operations and Compliance Officer at the National Hospital Insurance Fund, Administration Manager at Phylnets Communication Ltd and Kenya National Examination Council (KNEC). He Joined the NSC on 24th February 2023.



5. Patricia Okune – Board Member

DOB: 1st September 1962

Director Patricia Okune holds a Master of Science in Environmental Biology, Bachelor's degree in Education - science, a diploma in Education management, a Diploma in Science Education and a certificate course in guidance and counselling. She previously worked as Senior Principal at Lwanda Kawuor Mixed Secondary School and deputy Principal at Rapedhi Mixed Secondary school. She Joined the NSC on 24th February 2023.



6. Francis Karu Kuria - Board Member

DOB: 20th November 1962

Director Francis Kuria holds a Diploma in mechanical Engineering from Kenya Polytechnic and is a CPA holder from Graphins College Nairobi. He has served as the Managing Director, Karu Engineering Services, and a Workshop Manager at Thika Motor Dealers. He has also served as a Board Member in Thika Girls Kiribaribi and Chania Boys High School. He joined the NSC on 24th February 2023. He is the chair of Standards Appraisal Committee.



7. Gilbert Lang'at - Board Member
DOB: 1st January 1971

Director Gilbert Lang'at has an Executive MBA from Copenhagen Business School, Bachelor of Arts from Moi University, and a graduate in Public Policy Executive Program from Strathmore Business School, Infrastructure Financing and Development from Birmingham University. He also has a Certificate in Corporate Governance from International Centre for Leadership and Development (ICLAD). He has worked as a Trainer of Trainers, Freight logistics and management at KESRA Training School.

Director Langat currently serves as the Chief Executive Officer at Shippers Council of Eastern Africa. He serves as a chair of Mombasa Port and Corridor Community Charter (MPCCC), Kenya Trade Network Agency (KENTRADE), Member of the Executive Committee and Board of Northern Corridor Transit Transport Coordination Authority (NCTTCA), Member of Railway Consultative Committee, Chief Executives Forum -National Business Agenda and Board of Governors - Railways Training Institute and Kenya National Highway Authority (KeNHA). He has also served in several Sector Committees Nationally and in East Africa.

He first Joined the NSC on the 14th December 2018 and was re-appointed on 13th July 2022. He is the chair of Technical, Trade and Permits Approval committee.



8. Grace Nyabonyi Momanyi - Board Member
DOB: 4th May 1987

Director Momanyi Nyabonyi holds a Bachelor of Laws Degree from University of Nairobi and a post Graduate diploma in Law from the Kenya School of Law. She is a Certified Secretary (CPSK) and an accredited Governance Auditor by the Institute of Certified Secretaries of Kenya. Director Momanyi is the Managing Partner of Morayo Advocates LLP and collaborates with the Institute of Certified Secretaries and the Kenya School of Law to facilitate workshops and trainings in Corporate Governance as well as undertaking Governance Audits. She joined the NSC on 24th February 2023, and chairs the Audit and Risk committee



9. John Kaggieh Njera -Board Member
DOB: 2nd July 1967

Director Njera holds a Master's Degree in Computer Science from National University of Science & Technology, Zimbabwe and Bachelor in Mathematics - statistics Kenyatta University, Certificate in Project Cycle Management & Public Investment Programme from Kenya Institute of Administration, Financial Programming and Macroeconomic Management and Fiscal Policy from IMF Institute and Stellenbosch University. He is currently the Director of Planning, Macro and Fiscal Affairs Department. He was appointed as the alternate member of the Principal Secretary, National Treasury on 7th February 2023.



10. Eng. Kennedy Wabwile Simiyu - Board Member
DOB: 5th July 1973

Eng. Kennedy Wabwile holds a Master of Science in Mechanical Engineering, Industrial Engineering & Management option and a Bachelor of Science in Mechanical Engineering from University of Nairobi, Certificate in computer proficiency, computer Aided design and Manufacturing and training of trainers by Modern Management institute, Nairobi. He was the Head of Secretariat for Scrap Metal Council, a Deputy Director of Industries in the Ministry of Investment, Trade and industry, and the Deputy Director - Kenya Industrial Training Institute. He joined the NSC on 26th January 2023, and is the alternate to the Principal Secretary, State Department for Industry.



11. Miriam Boit Kahiro - Corporation Secretary
DOB: 12th April 1984

Miriam Boit-Kahiro holds a Master's Degree (LLM) in International Corporate Governance & Financial Regulation from the University of Warwick, United Kingdom and a Bachelor's Degree in Law from Moi University. She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and a Certified Secretary. She is a member of both the Law Society of Kenya and the Institute of Certified Secretaries of Kenya. She has legal experience spanning over 15 years with expertise in the fields of Capital Markets, Public Sector Regulatory Affairs and Corporate Governance.



12. Nimo Omar Haji - Board Member
DOB: 1st January 1981.

Director Nimo Haji holds a Bachelor of Arts in Business and Administration and a diploma in Business Administration from Mount Kenya University. She has served as the General Manager Strategy and Shared services at Ruffino Consulting & Investment Co. Limited. She previously worked as the Chief Executive officer at Alert Guard Services Limited, Accounts Manager at Llyode and also worked for the County assembly - Nairobi County. She Joined the NSC on 9th June 2023.

4. MANAGEMENT TEAM



Esther Ngari
Managing Director

Currently the Acting Managing Director, Esther previously worked as the Director Standards Development and International Trade at Kenya Bureau of Standards for over four (4) years. Esther holds a Master of Business Administration from JKUAT. She is a graduate of Dairy Science and Food Technology from Egerton University. Esther has done Agribusiness, Value Chain Analysis and Development from the University of Queensland, Australia and holds a Professional Diploma in Supply Chain Management by Chartered Institute of Purchasing and Supplies (CIPS) United Kingdom. Esther is trained by Boston Institute in Performance Contracting and Management. She is a certified Lead Auditor for Food Safety Management Systems, Quality Management Systems and Environmental Management Systems. Esther is also trained in Strategic Leadership Development Program.



Dr. Geoffrey Muriira
Director - Quality Assurance & Inspection

Dr. Geoffrey Muriira holds a PhD in Medical Biochemistry from Kenyatta University, Masters of Plant Biotechnology from Marche Politecnica Universitat in Ancona, Italy, Masters of Science in Biochemistry and a Bachelor of Science Degree in Biomedical both from Egerton University.



Peter Ngángá Kaigwara
Director - Market Surveillance

Peter Kaigwara holds a Master of Science Degree in Environmental Chemistry and Bachelor of Science degree in Chemistry from the University of Nairobi.



Dr. Henry Kibet Rotich
Director - Metrology & Testing

Dr. Henry Rotich holds a PhD in Hydrology and Water Resources from Jilin University, China and a Master of Science in Analytical Chemistry from North East Normal University, China. He also holds an Executive MBA from JKUAT.



Zacharia Lukorito
Ag Director, Standards Development and International Trade

Zacharia Lukorito holds MSc in Industrial Engineering and Management from Dedan Kimathi University of Technology-Kenya, MSc in Computer Based Information Systems from the University of Sunderland - UK and a BSc in mechanical engineering from the Jomo Kenyatta University of Agriculture and Technology – Kenya.



Mohammed Adan
Director - Finance and Strategy

Mohammed Adan holds a Master of Science in Accounting and Financial Management and a Bachelor's Degree in Accounting & Business Management from University of Hertfordshire (UK). He is a Chartered Accountant and a member of the Association of Chartered Certified Accountants (ACCA)



CPA Joseph Kamochi
Ag. Director- Human Resource and Administration

Joseph Ombiro Kamochi holds Bachelor of Arts Degree from Egerton University and is a member of the Institute of Certified Public Accountants of Kenya.



Miriam Boit Kahiro
Director - Legal Services and Corporation Secretary.

Miriam Boit-Kahiro holds a Master's Degree (LLM) in International Corporate Governance & Financial Regulation from the University of Warwick, United Kingdom and a Bachelor's Degree in Law from Moi University. She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and a Certified Secretary. She is a member of both the Law Society of Kenya and the Institute of Certified Secretaries of Kenya.



Jane Ndinya
Chief Manager - Supply Chain

Jane Ndinya holds a Master's Degree in Strategic Management from University of Nairobi and a Bachelor of Education Degree (Accounts, Commerce and Economics) from University of Nairobi. She is a member of the Chartered Institute of Procurement and Supplies and Kenya Institute of Supplies Management.



CPA Scholastica Mumbua
Acting Chief Manager - Audit & Risk

CPA Scholastica Mumbua holds a Master's Degree in Business Administration from University of Nairobi and a Bachelor of Commerce in Accounting from University Nairobi. She is a CPA (K) and a member of the Institute of Internal Auditor's (IIA).



CPA Solomon Tonkei Naiguta
Ag. Chief Manager - Finance

CPA Solomon T. Ole Naiguta holds a Master's of Science Degree (Finance) from the University of Nairobi and Bachelor of Commerce in Finance from Catholic University of Eastern Africa. He is a CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



Samson Butichi

**Chief Manager - Planning and Strategy and Quality
Management Representative**

Samson Butichi holds an MBA in Strategic Management from ESAMI/MsM and a Bachelor of Science Degree in Chemistry/Biochemistry from Egerton University. He is a KEBS CB Registered Lead Auditor, Lead Trainer, and member of the Kenya Institute of Management

5. CHAIRMAN'S STATEMENT



The NSC plays an important role of oversight in KEBS to ensure the delivery of Standards, Metrology and Conformity Assessment services to the citizens of Kenya. It gives me great pleasure to present the KEBS annual report and unaudited accounts for the FY 2022/23.

As an organization, our vision is to be a global leader in standards-based solutions for trade and sustainable development. The year 2022/23 marked the beginning of our 2022/27 Strategic Plan which focuses on six thematic areas divided into Strategic Pillars and Strategic Foundation. The Strategic Pillars revolve around transformation and improvement of trade facilitation, technical services, and Standards. These are anchored on the Strategic Foundations around Technology & Innovation, Institutional capacity, and Legal health. I am glad to note that we have started on a very positive note in realization of these objectives as below:

Strategic Focus Areas	KPIs	(%) Achievement for 2022/2023 FY
SP1: TRADE FACILITATION		
SP1.1: Promotion of MSMEs for enhancement of their competitiveness	SP1.1.1 Increase in number of certified products permits for MSMEs from 5,829 to 6,500	108%
	SP1 1.2 Provide capacity building for 4,800 MSMEs	78%
SP1.2: Establish and operationalize destination inspection of imports	SP1:2:1: Increase in number of used Motor vehicles subjected to destination inspection to 1,868	92%
	SP 1.2.2: Increase in number of consignments subjected to destination inspection (DI) from 170,000 to 187,000	123%
SP2: TECHNICAL SERVICES		
SP2:1: Upscale testing, Reference materials production and Proficiency Testing	SP2.1.2 Reduce the Average Testing Turnaround Time (TAT) from 14 days to 13 days	100%
SP2:3 Increase scope and regional coverage for Systems certification and training services	SP2.3.2 Increase certification coverage to all Regional Economic Communities (REC) by 2	250%
SP2:4 Increase scope and regional coverage for training services	SP2.3.3 Increase in training scopes from 50 to 62 in all Regional Economic Communities (REC)	100%
SP3: STANDARDS		
SP3.1 Development and harmonization of market driven standards	SP3.1.2: Reduce timeline to develop/harmonize/adopt a standard from an average of 12 months to 9 months	220%
SP3.1 Development and harmonization of market driven standards	SP3.1.3: Increase number of market driven harmonized African Standards from 17 to 26	86%

**Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023**

SF1: TECHNOLOGY AND INNOVATION		
SF1.1: Automation of key KEBS processes	SF1.1.1 Increase the level of automation by 15%	104%
SF2: INSTITUTIONAL CAPACITY		
SF2.2: Infrastructure: Acquisition of Offices, laboratories, buildings and equipment, and telecommunications	SF2.2.5 Operational modern campus area (ICT) telecommunication network. (Percent completion Vs Plan)	170%
SF2.3: Financial Sustainability: Resource mobilization, Enhance revenue collection and prudent use of resources.	SF2.3.1 Increase in annual revenue from 4.3B - 8.6B by 2027	110.31%

During the year under review, the NSC tasked management with the implementation of the 2022/27 Strategic Plan. On our key mandate, we developed 1,141 new standards, certified 26,081 products enabling them to access market, completed 10,018 calibrations, analysed 58,926 products in our laboratories and inspected 343,468 imported product consignments at our ports of entry.

Some of the challenges that hindered our operations included increase in cost of operations due to the rising dollar exchange rate, court awards to litigants and freezing of our bank accounts. However, we were able to respond to these challenges through the implementation of a robust and integrated management system in Quality Management, Information Security Management, Business Continuity management and Anti-Bribery management that ensured that we are resilient enough to operate as a going concern.

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



.....
**Peter Munyiri HSC, OGW
For CHAIRMAN, NSC.**

Date: 15/03/2024

6. REPORT OF THE MANAGING DIRECTOR

The Kenya Bureau of Standards is a premier organization charged with the responsibility of standards development, calibration and measurements, product certification and inspection, testing, market surveillance, system certification and training in Standards. This role has further been inculcated in the implementation of Global Sustainable Goals the Africa Agenda 2063, the Kenya Vision 2030, Medium Term Plan (MTP IV) - Finance and Productive sector through the Bottom-Up Economic Transformation Agenda.



KEBS MAJOR ACHIEVEMENTS DURING THE YEAR

Standards Development

The focus for the standardization work has been on regional standards harmonization activities both at the EAC level and the African Continental level, as well as adoption of International Standards. This is a strategy to support trade across Africa with the implementation of the African Continental Free Trade Area (AfCFTA).

A total of 1,141 standards were developed against a target of 1090 standards with a positive variance of 51 Standards. Among these are 10 standards in support of new innovative products within the MSME framework.

Quality Assurance

KEBS issued 26,081 permits to firms that are manufacturing products to enable them access markets both nationally and regionally. Out of these 19,058 permits were issued to large firms and 7023 issued to MSMEs to support their growth. This was realized because of the following:

- i. Targeted focus on MSME sectors through the training and capacity building initiatives.
- ii. Implementation of the KEBS MSME Policy that seeks to prioritize MSME needs.
- iii. Collaboration with the Retail Traders Association to stock certified products which increased the demand for certified products.

Metrology and Testing

Calibration plays a pivotal role in ensuring that measuring equipment give precise and valid results that are traceable to national and international measurement units and thus facilitating fair trade. The Metrology function was able to undertake 10,018 equipment calibrations against a target of 9,500 equipment, with a positive variance of 518 calibrations.

Additionally, 58,926 samples were tested against a target of 57,000 with a positive variance of 1,926 samples. The positive variance is attributed to the deliberate marketing of private sample testing in line with our strategy.

National Quality Institute (NQI)

The trainings undertaken by the NQI assist firms to improve their production systems and processes, manage risks related to among others quality, Business Continuity, Information Security and environmental conservation. A total of 228 trainings were undertaken against a target of 260 trainings thereby missing the target by 32 trainings.

Import Inspection

KEBS participated in joint verification of consignments at ports of entry alongside other government entities. We committed to inspect **338,000** consignments in the current contract period. Cumulatively, **343,468** consignments were released against the target of **338,000** with an increase of **5,468** consignments.

Total Revenue/ Expenditure

In the year under review, a total of **Kes 6.975 billion** (being the highest revenue reported in KEBS history) was generated against a revised target of **Kes 7.453 billion** thereby missing the target by **Kes 479 million**. However, the original target of **Kes 6.267 billion** was surpassed by 11%. This stellar performance was attributed to increased collection in destination inspection fees as we continue to implement our strategy on domestication of import inspection.

Approximately **Kes 6.49 billion** was utilized against a target of **Kes 6.95 billion** with a variance of **Kes 481.5 million**. Therefore, the cumulative utilization stood at **93%** against a target of **100%** with an underutilization of **7%**. The under-absorption is attributed to the implementation of the government policy on austerity measures.

In conclusion, I wish to thank the Cabinet Secretary, Ministry of Investments, Trade and Industry, the Principal Secretary, State Department for Industry, and the National Standards Council for their guidance on policy and strategic direction. I wish to recognize our development partners among them: Trademark 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 our staff support.


.....
Ms. Esther Ngari
MANAGING DIRECTOR

Date: 15/03/2024

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/23

a. Review of Kenya Bureau of Standards Financial Year 2022/23

KEBS has three strategic pillars and three strategic foundations within its Strategic Plan for the FY 2022/23 - 2026/27. These strategic pillars and foundations are operationalized and monitored through the Balance Scorecard methodology and annual workplans.

KEBS develops its corporate balanced scorecard and annual work plans on an annual basis and assessment of the Board's performance is done on a quarterly basis. KEBS achieved its performance targets set for the FY 2022/23 period for its 3 strategic pillars, and foundations as indicated in the table below:

Table 1: KEBS FY 2022/23 Performance Based Strategic Pillars and Foundations

Strategic Focus Areas	KPIs	Annual Target 2022/23	Cumulative Achievement	Percentage Achievement
SP1: TRADE FACILITATION				
SP1.1: Promotion of MSMEs for enhancement of their competitiveness	SP1.1.1 Increase in number of certified products permits for MSMEs from 5,829 to 10,000	6,500	7,023	108%
	SP1.1.2 Provide capacity building for 24,000 MSMEs	4,800	3,728	78%
SP1.2: Establish and operationalize destination inspection of imports	SP1.2.1: Increase in number of used Motor vehicles subjected to destination inspection from 1,868 to 41,500	1,868	1,727	92%
	SP 1.2.2: Increase in number of consignments subjected to destination inspection (DI) from 170,000 to 273,000	187,000	230,133	123%
SP2: TECHNICAL SERVICES				
SP2.1: Upscale testing, Reference materials production and Proficiency Testing	SP2.1.2 Reduce the Average Testing Turnaround Time (TAT) from 14 days to 9 days	13	13	100%
SP2.3 Increase scope and regional coverage for Systems certification and training services	SP2.3.2 Increase certification coverage to all Regional Economic Communities (REC)	2	5	250%
SP2.4 Increase scope and regional coverage for training services	SP2.3.3 Increase in training scopes from 50 to 60 in all Regional Economic Communities (REC)	2	2	100%

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023

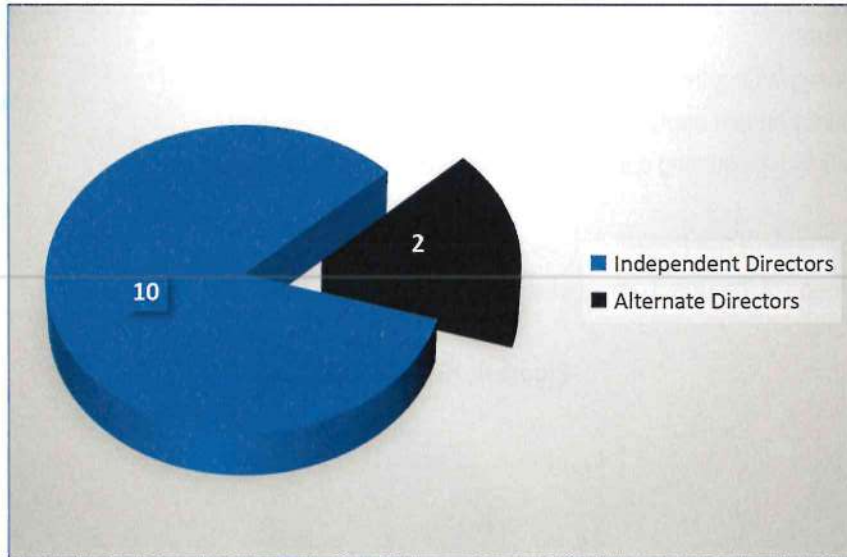
SP3: STANDARDS				
SP3.1 Development and harmonization of market driven standards	SP3.1.2: Reduce timeline to develop/harmonize/adopt a standard from an average of 12 months to 9 months			11
SP3.1 Development and harmonization of market driven standards	SP3.1.3: Increase number of market driven harmonized African Standards from 17 to 128	26	22	86%
SF1: TECHNOLOGY AND INNOVATION				
SF1.1: Automation of key KEBS processes	SF1.1.1 Increase the level of automation by 15%	57.5	60	104%
SF2: INSTITUTIONAL CAPACITY				
SF2.1: Human Capacity: Optimal Staffing and Change Management	SF2.1.1 Increase employee productivity from 57% to 82%	62	143	231%
SF2.2: Infrastructure: Acquisition of Offices, laboratories, buildings and equipment, and telecommunications	SF2.2.1 Construct and Occupy Mt Kenya – Meru Office & Laboratory. (% completion Vs plan)	30	10	33%
	SF2.2.2 Construct KEBS HQ Complex (%completion Vs plan)	20	-	0%
	SF2.2.3 Construct offices at SRR, NER, MKR and Konza	20	-	0%
	SF2.2.5 Operational modern campus area (ICT) telecommunication network. (Percent completion Vs Plan)	10	17	170%
SF2.3: Financial Sustainability: Resource mobilization, Enhance revenue collection and prudent use of resources.	SF2.3.1 Increase in annual revenue from 4.3B - 8.6B by 2027	7,453,989,711	6,974,542,038	94%
SF3: LEGAL FRAMEWORK				
SF3.1 Management of legal risks	SF3.1.1: Reduce litigation matters by 10% in the first year from the baseline and 5% annually for the subsequent years	10	25	254%
Grand Total		17		120%

8. CORPORATE GOVERNANCE STATEMENT

a) NSC Composition

During the year under review, the NSC was composed of ten (10) independent non-executive directors and two (2) alternate directors representing Cabinet Secretary, National Treasury and Planning, and Principal Secretary, State Department of Industry. In addition, a representative from the Office of the Inspector General State Corporations attended board meetings.

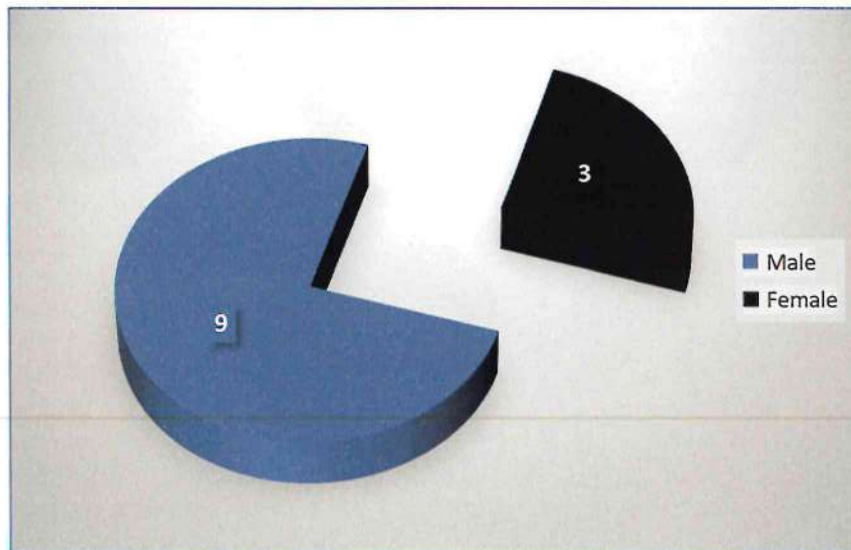
Figure 2: Board Composition



b) NSC Gender Representation

The NSC representation was at 25% female and 75% male as indicated below.

Figure 3: NSC Gender Composition



c) The roles and functions of the Board

The roles and functions of NSC members are provided for in the Standards Act, Cap 496, Laws of Kenya and in the Board Charter as follows:

- 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.

d) Committees of the Board

The committees of the Board are as presented in Figure 4 below:

Figure 4: NSC Committees



Table 2: National Standards Council Committee Membership and Roles

NSC Committee Membership	Roles
<p>Standards Appraisal Committee Francis Karu - Chairperson Patricia Okune Eng. Kennedy Wabwile Shallow Yahya Gerald Mwangi – in attendance Esther Ngari</p>	<ul style="list-style-type: none"> Appraise Kenya Standards and other standard related deliverables within the provisions of the Standards Act. Recommend the composition, reconstitution, merging and disbanding of technical committees to NSC. Determine appeals emerging from the Standards Approval Process.
<p>Audit and Risk Committee Momanyi Nyabonyi - Chairperson Francis Karu John Njera Stephen Yego Nimo Omar Haji</p>	<ul style="list-style-type: none"> Provide assurance from management that all financial and non-financial internal control on the risk management function are operating effectively and reliably. Receive, review, and provide an independent view to NSC on KEBS financial reporting and the integrity of financial reports. Oversee the Internal Audit and Risk department. Oversee the implementation of audit recommendations arising from Internal Audit Department, Office of the Auditor General and Public Investment Committee. Strengthen the independence, integrity, and effectiveness of the audit function. Review audit matters raised by internal and external auditors. Advise on risk identification, mitigation measures and the effectiveness of internal control systems. Oversee KEBS compliance with regulatory and statutory requirements and promote a culture of lawful and ethical behaviour.
<p>Finance, Staff & General-Purpose Committee Shallow Yahya – Chairperson Patricia Okune John Njera Gilbert Langat Gerald Mwangi – in attendance Esther Ngari</p>	<ul style="list-style-type: none"> Assist the NSC in overseeing financial policy and procedures formulation and its review. Review the institution's budgets and recommend to the NSC for approval. Review the procurement plan and recommend to the NSC for approval. Review quarterly and annual financial statements and procurement reports and recommend to the NSC for approval. Review and recommend to NSC all KEBS human resource policies relating to terms and conditions of service of employees. Oversee the implementation of approved human resource policies and procedures.
<p>Technical Trade and Permits Approval Committee Gilbert Langat - Chairperson Stephen Yego Eng. Kennedy Wabwile Momanyi Nyabonyi Nimo Omar Haji Esther Ngari</p>	<ul style="list-style-type: none"> Consider and review Quarterly and annual Corporate GOK/KEBS Performance Contract and reports compliance with PC to the NSC. Consider the Project reports, guide management and report to the NSC the status of both donor and KEBS funded projects. Recommend regulations, policy statements and procedures to the NSC for approval. Receive and review reports from Metrology and Testing, Quality Assurance and Inspection, Market Surveillance directorates, and make recommendations to the NSC for approval. Conduct or cause to be conducted surveillance to ensure the quality of standards of any product in the market.

e) NSC Competence

The NSC members were drawn from diverse professional backgrounds and experience to provide necessary expertise and oversight role in the running of the organization as provided in Item 3, National Standards Council.

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 in accordance with the *Mwongozo* Code of Governance for State Corporations 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 through the KEBS electronic board document management system (E-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) NSC Evaluation and Remuneration

The NSC evaluation was carried out on 17th July 2023 for the year under review. In the previous financial year 2021/22, the NSC was evaluated on 18th July 2022. The NSC remuneration was done as per the State Corporations Act and relevant Government Circulars.

i) NSC Induction and Training

The induction of the new NSC members and training on corporate governance, KEBS mandate and operations were carried out during the year under review.

j) NSC Committee Meetings

The NSC Committee meetings for the year under review are as presented in Table 3 below.

Table 3: NSC Committee Meetings

Committee	Actual No. of meetings
National Standards Council	59
Finance, Staff & General Committee	12
Standards Approval committee	5
Technical, Trade, and Permits Approval Committee	13
Audit Committee	6

NOTE: NSC meeting included trainings, induction, international meetings, workshops, and planned meetings

k) Conflict of Interest

This is a standing agenda item in every board meeting and members are required to declare any conflict of interest before commencement of the meeting.

l) Governance Audit

The procurement process for the governance audit began in the year under review and is expected to be conducted in the next financial year 2023/2024.

m) Ethics and Conduct

The NSC members are expected to be of good conduct and ethics in line with chapter six of the constitution and other related regulations.

9. MANAGEMENT DISCUSSION AND ANALYSIS

This annual report captures the overall performance of KEBS based on its strategic objectives and GoK performance contract indicators.

This section 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 2022/2023 financial year.

9.1 Financial and Operational Performance of the Organisation

The operations of KEBS were based on the Strategic Plan 2022/2027 and the annual KEBS-GOK Performance contract guidelines. The annual work plans were implemented using the Balance Scorecard methodology. Presented below are the discussion and analysis of KEBS performance for the period under review.

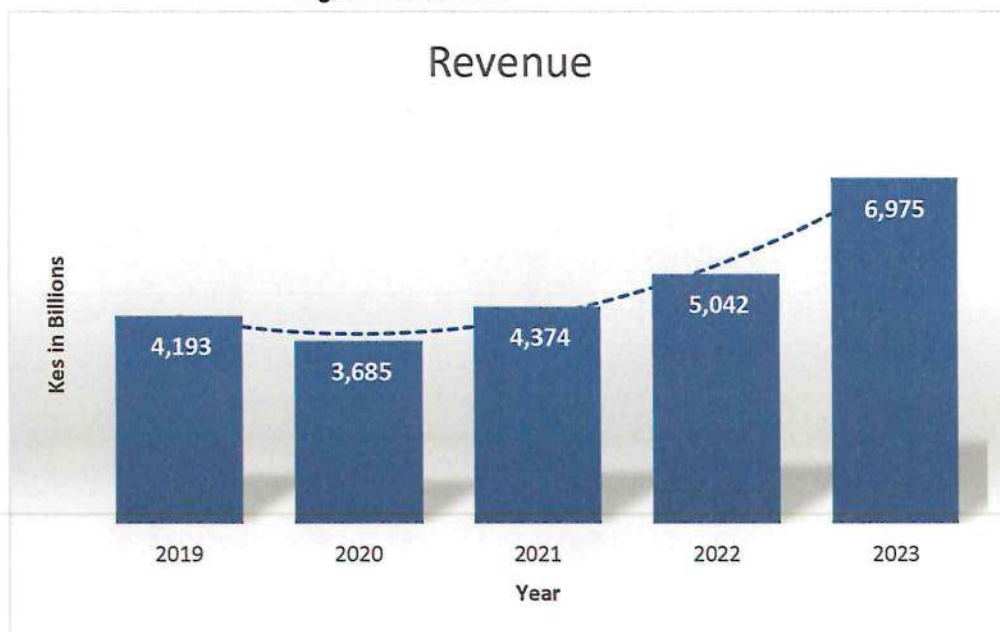
a) Financial Performance

KEBS financial performance was less than optimal in the year under review, however, the achievement in revenue was at an all-time high compared to the last four years.

i. Revenue

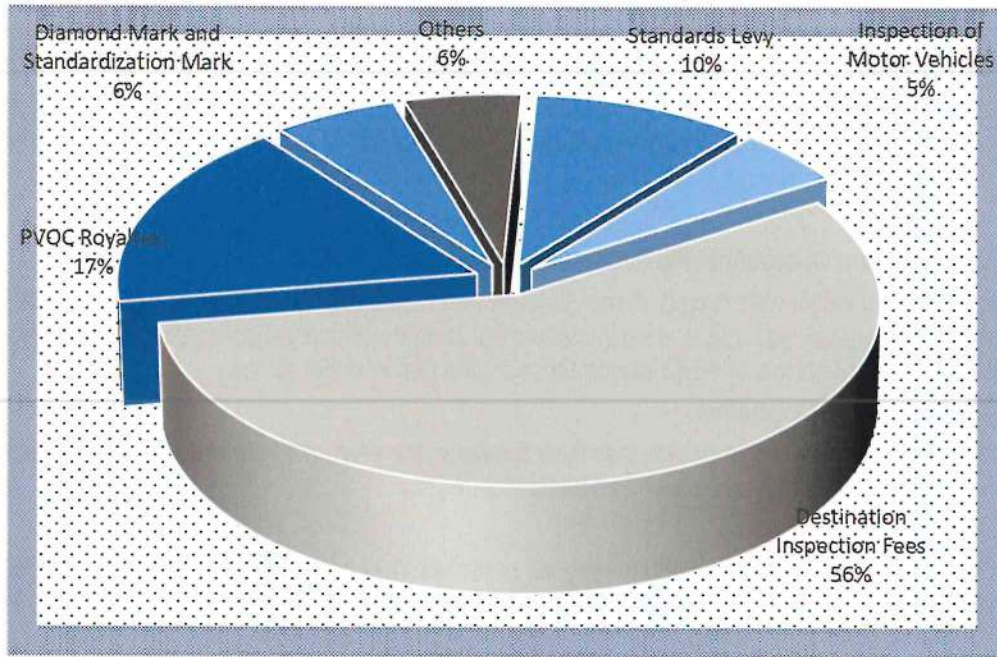
There has been a steady growth in revenue in the last five-year period, save for the year 2020 which registered a drop. The comparative analysis of revenue in the period is as presented in Figure 7 below. The year under review registered an all-time highest revenue of Kes 6.9 Billion. This was due to increased efficiency as a result of improved technology which positively translated to better generation and collection of the organization revenues. Overall, revenue increased by 38% in comparison to the previous year revenues. This was majorly driven by the increase in destination inspection fees by more than 86% when compared to the last financial year.

Figure 5: Revenue



From the analysis, distribution of revenue was as follows: destination inspection 56%, PVOC royalties 17%, Product Certification %, Inspection of Motor Vehicles 5%, standards levy 10% from others 6%. The five major revenue streams analysis is as presented in Figure 6 below.

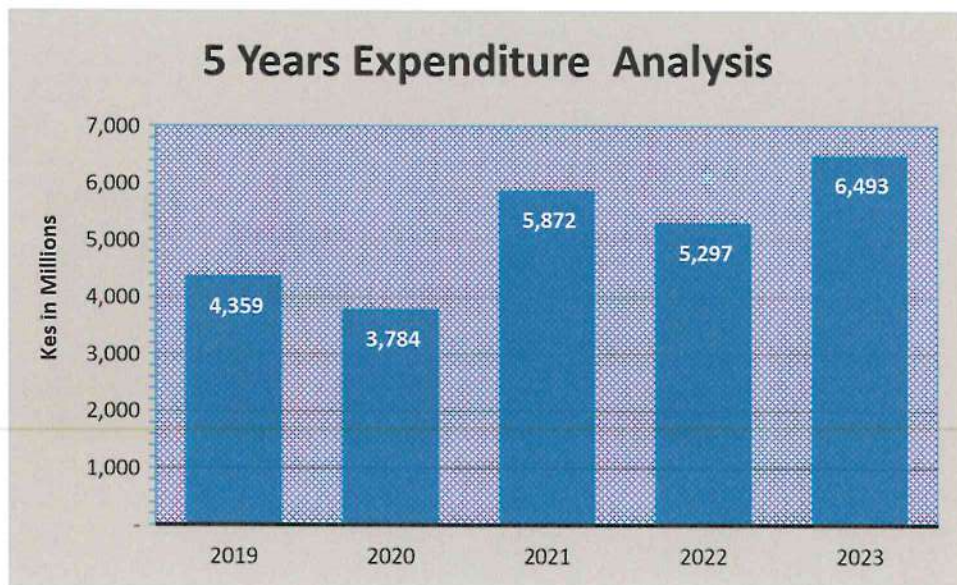
Figure 6: Revenue streams by Percentage



ii. Expenditure

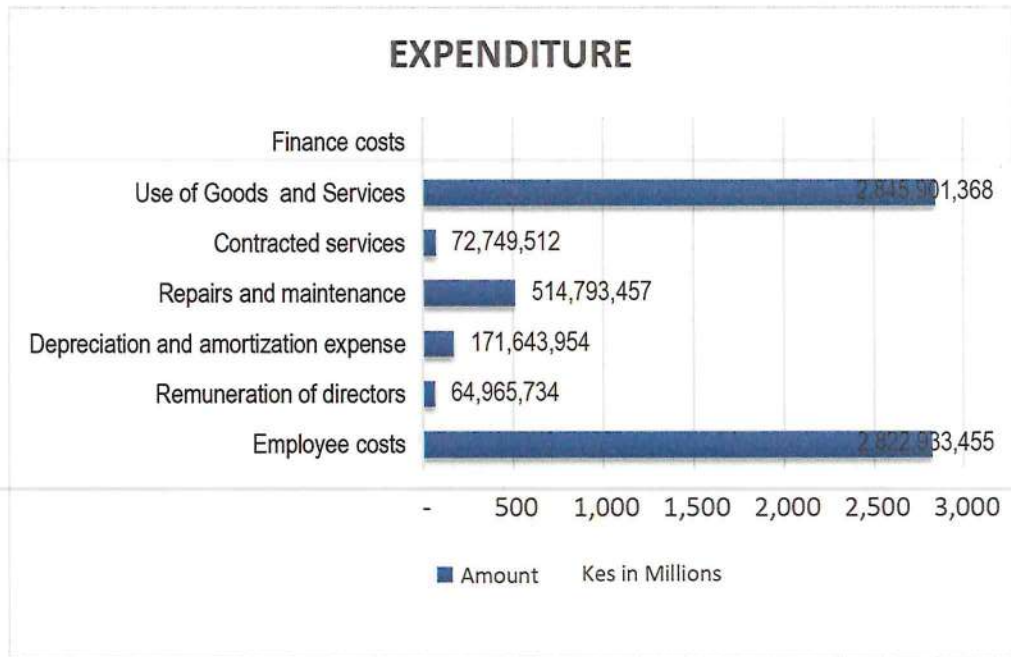
The total expenditure increased by 22% from Kes 5.3 Billion in the FY 2022/22 to Kes 6.4 Billion in FY 2022/23 as analysed in figure 7 below.

Figure 7: Comparative expenditure for FY 2019 to 2023



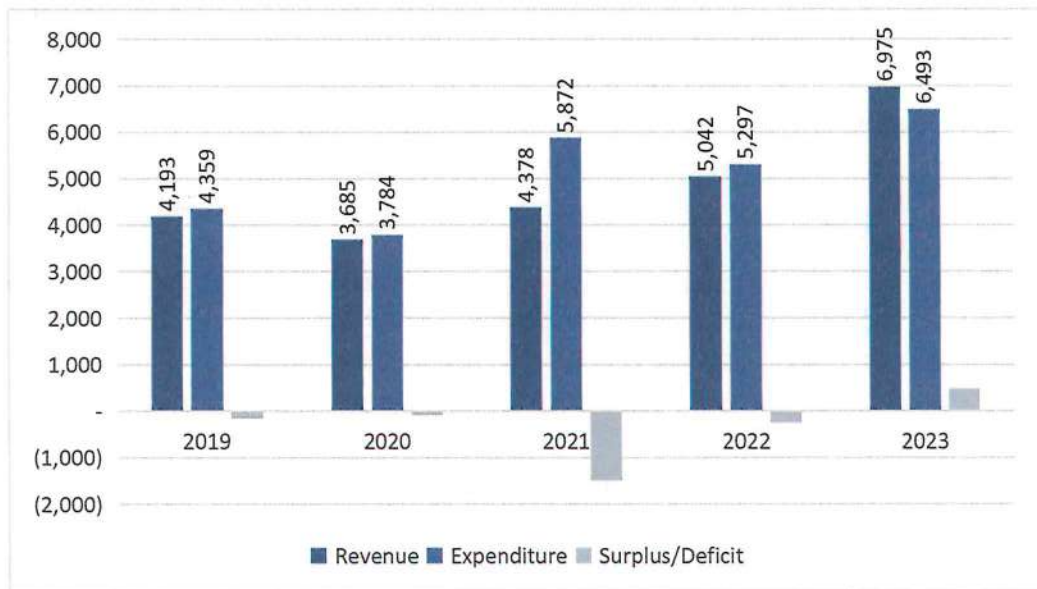
The distribution of recurrent expenditure is as presented in Figure 8 below

Figure 8: Recurrent Expenditure



The revenue and expenditure analysis for the last five years are as represented by the figure 9 below:

Figure 9: Revenue and Expenditure performance



iii) Total Assets

Over the last 5 years the value of total assets has decreased due reduced capital expenditure, depreciation, crystallization of contingent litigation cases and remittance of surpluses to the National Treasury. This has hugely affected the capital expenditure resulting to the decline in the total assets. The total assets over the last five financial years are as presented in figure 10 below:

Figure 10: Total Assets



b) Operational Performance

The overall percentage of cumulative achievement performance score for KEBS in 2022-2023 Financial Year was **120%**. This was an excellent **performance**. It is important to note that this was a great improvement in operational performance in the year under review as compared to 2021/2022.

c) Challenges related to performance management

Some of the challenges faced in relation to corporate performance include:

- i. The effects of the crystalized multiple litigations against KEBS which led disruption of operations. The resultant courts award increased liquidity risks.
- ii. The increased inflation and subsequent high cost of living affected the purchasing power and increased the cost the of doing business especially regarding operational cost.
- iii. Inadequate staffing levels in the technical areas during the year.
- iv. Disruption of activities due to technological challenges.

9.2 Key Projects and Investments Decision

a) KEBS Infrastructure

During the year under review, KEBS committed to complete and operationalize North Rift office and Laboratories. The KEBS North Rift laboratories and office were handed over “as is” at 90% completion.

b) Automation

KEBS has continued to invest in Information Communication and Technology (ICT) both hardware and software. The current automation level stands at 68.6%.

9.3 Major risks facing the organisation and Mitigation measures

a) Legal Risk

This refers to potential adverse outcomes in litigation which could drive liquidity constraints, thereby limiting financial flexibility of KEBS and potentially jeopardizing the ability to respond to or take advantage of opportunities or meet other ordinary needs. KEBS will implement strategies to mitigate these risks by use of the automation process for contract and cases management; proper legal representation and enhance the internal capacity; alternative dispute resolution i.e. negotiations, mediation, conciliation and setting aside contingency funds for the litigations.

b) Financial Risk – Failure to meet set revenue target.

An annual revenue of **Kes 6.975** billion was generated against a target of **Kes 7.453** billion resulting to a shortfall of **Kes 479** million which was equivalent to **6%**. To mitigate this, KEBS will implement the Resource Mobilization and Cost Reduction Strategy to address the gap.

c) Reputational Risk

KEBS brand identity is extremely important and failure to protect this would result in deterioration of KEBS reputation and potential loss of business. To mitigate, KEBS continues to reinforce its values, policies and processes with employees, business partners and other stakeholders. KEBS takes robust action, where necessary, to protect its trademarks, brand and reputation and commits to implement the communication strategy and stakeholder engagement programmes.

d) Information Security Risk

Failure to protect KEBS against inadvertent loss of data or cyber-attack would adversely affect its brand identity and reputation. KEBS implements and is certified to ISO 27001:2013 (Information Security Management Systems).

e) Business Continuity risk

KEBS operates in an environment characterized by disruptions that affect service delivery. Failure to address this risk will lead to loss of revenue, inability to meet obligations and inability to continue service delivery. To mitigate against this, KEBS implements and is certified to ISO 22301:2019 Business Continuity Management system based.

9.4 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.

9.5 Review of the economy and sector

In the year under review, Kenya's economic growth in real terms slowed to 5.5% in 2022 from 7.5% in 2021. The slowdown was attributable to prolonged drought, increased commodity prices, tight global financial conditions, the ongoing Russia-Ukraine Conflict, and the lingering effects of the COVID-19 pandemic in the global arena. The growth was driven by services on the supply side and household consumption on the demand side. On aggregate, inflation rose to 7.6% from 6.1% in 2021 mainly driven by food and energy inflation. Inflation was moderated by subsidies and raising of the policy rate to 8.25% from 7% in 2021, according to the National Treasury report. In view of the aforementioned, the world has continued to experience the following economic situations which affected the manufacturing sector negatively:

- i. Rising steel prices – The price of steel as a global commodity, fluctuates daily based on a variety of factors including supply and demand, the strength of the American dollar, seasonality, and global pandemics among others. Steel prices have been rising and are projected to increase to about 10% above where it was before COVID-19. Semiconductor chips which are crucial in motor vehicle manufacture, have been in a major shortage since the pandemic resulting in a decline in vehicle manufacture and a spiral effect on the prices of both new and used vehicles. However, the chip

shortage ended, and the potential return of semiconductor chips meant that steel would become scarcer as car production went up. This inevitably meant that steel prices rose during the second half of 2022 thereby causing a potential shortage in Kenya and creating a risk for manufacturers to compromise on the quality of steel products in the country.

Our Quality Assurance function through the Product Certification regime has been on the lookout to ensure that manufacturers do not endanger the safety of the building industry by using substandard steel in production. In addition, the Market Surveillance team has stepped up its activities in the market to ensure that only quality steel products are offered for sale.

- ii. Maize shortage – The country experienced maize shortage which arose from low yields due to prolonged drought from the previous year. To help resolve this situation, the government through a gazette notice published on 20th May 2023 by the Cabinet Secretary, National Treasury and Economic Planning suspended all levies and charges on imported maize but directed that the imported cereal shall be accompanied by a certificate of conformity issued and implemented by the Kenya Bureau of Standards and shall meet all other legal requirements under the relevant laws of Kenya.
- iii. Edible oils - The shortage of United States dollars and increased taxes affected the manufacturers of edible oils in the country. This is in addition to the disruption caused by the COVID-19 pandemic and war in Ukraine to the global supply chains. The pandemic has greatly affected the two largest world crude palm oil producers; Indonesia and Malaysia and the emerging issues in the local market will not help matters. The two countries had lockdowns, crippling harvesting and milling activities. This caused a fall in the supply chain amidst steady demand resulting in an inevitable price hike. The shortage of these oils in the country posed a risk of compromising the quality of the product.
- iv. Petroleum price increase – The continued increase in crude oil prices at the global market placed sustained pressure on petroleum products. KEBS in collaboration with Energy and Petroleum Regulatory Authority (EPRA) is keeping an eye on this to ensure compliance of petroleum products to standards in the market.
- v. Impact of the General Elections in Kenya – The Kenya 2022 elections were held in the month of August 2022. It was observed that during the electioneering period, there was a significant reduction in economic activities. This affected the Finance and Productive sector, and the importation of goods as economic operators adopted a wait and see approach before resuming operations. This had a slowed activity for the KEBS business units especially in import inspection, product certification and testing services.

9.6 Future development

KEBS implements a transformative KEBS 2022-2027 Strategic plan comprised of three strategic pillars (SP) and three strategic foundations (SF). In this strategic period KEBS commits:

SP1: Trade Facilitation

To transform KEBS regulatory service provision through promotion of MSMEs for enhancement of their competitiveness, establishment and operationalization of imports destination inspection and promotion of consumer protection from substandard products, protection of the environment and creation of a level playing ground for economic operators.

SP2: Technical Services

To transform and enhance the KEBS technical services to global standards with Africa regional coverage by upscaling private testing, reference materials production and proficiency testing; diversification of calibration services (medical laboratory equipment; development of regional calibration centers and focus on niche clients) and increase scope and regional coverage for systems certification and training services.

SP3: Standards

To transform standards development for local content and export market needs through development and harmonization of market driven standards; enhance uptake of standards and modernization of the national measurement reference standards.

SF1: Technology and Innovation

To enhance KEBS transformation through automation and integration of systems through automation of key KEBS processes, integration of key automated systems and modernization of laboratories.

SF2: Institutional Capacity

To strengthen KEBS institutional capacity to enhance productivity and ensure efficient and effective services delivery

through optimal staffing and culture change; acquisition of offices, laboratories buildings and equipment, and telecommunications; resource mobilization, enhance revenue collection and prudent use of resources; enhance corporate image and branding; strengthening internal controls; enhance the implementation, monitoring and evaluation framework; and contribute to climate change mitigation and adaptation.

SF3: Legal Health

To strengthen KEBS legal services for institutional resilience through management of legal risks; strengthening legislative and regulatory framework and enhance good governance and board performance

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KEBS exists to provide standards-based solutions for trade and sustainable development. KEBS is committed to safeguard customers, the environment and facilitate trade for a sustainable future. Below is an outline of KEBS's policies and activities that promote sustainability.

i. Sustainability strategy and profile

KEBS has aligned its processes to international standards to ensure social economic and environmental sustainability. In pursuit of this, KEBS implements strategies to guarantee financial sustainability while ensuring environmental and social safeguards. The focus areas include establishment of destination inspection centres for imports to enhance revenue generation and create employment opportunities for Kenyans. Furthermore, modernization of calibration and testing laboratories coupled with acquisition of modern equipment and technologies will improve service delivery and position KEBS to as a centre of excellence and innovation.

KEBS manages its risks through implementation and accreditation to relevant management systems. Some of the key standards which KEBS is accredited/certified to include ISO/IEC 17025 Laboratory Management System, ISO/IEC 17021 Management System Certification, ISO/IEC 17024 – Personnel Certification, ISO 9001 Quality Management System, ISO 22301 Business Continuity Management System, ISO 37001 Anti-Bribery Management System and ISO/IEC 27001 Information Security Management System.

ii. Environmental performance

a. KEBS Environmental Policy Statement

KEBS adheres to its environmental policy statement in undertaking operations. The policy statement is presented in the figure 12 below.

Figure 11: KEBS Environmental Policy



KEBS Kenya Bureau of Standards
Standards for quality life

POLICY STATEMENT

KEBS ENVIRONMENTAL POLICY

In our endeavour to provide standardization solutions for sustainable development, KEBS is committed to managing environmental issues arising from its operations at the Head Office and at all Regional Offices in order to protect the environment.

We are committed to continual improvement of our environmental performance by reviewing the set targets annually.

KEBS is committed to comply with all relevant legal and contractual requirements for environment and shall ensure efficient use of resources and implement measures to minimize environmental pollution.

KEBS corporate culture is based on our core values which include: Integrity, Customer Focus, Environmental sustainability and Excellence. This policy shall be domesticated at KEBS and communicated to all employees and contractors and integrated in management principles and core values.



Charles Ongwae
Managing Director

26th JUNE 2015
DATE

Website: <http://www.kebs.org>

b. Successes and Shortcomings

Success and shortcomings in relation to environmental performance are presented in Table 4 below:

Table 4: Successes and Shortcomings

Focal Area	Annual Targets / Activities	Indicator	Complete	Pending
Environmental Sustainability Planning	Environment Policy	Environmental Policy in place since June 2015.	X	
	Structures to address environmental issues	Environmental (EHS) Committees in place at HQ and Regional offices	X	
	Internal environmental inspections on monthly basis	EHS Inspections carried out on monthly basis and reports filed	X	
	Statutory environmental audit	Audit Report		X
	Environmental awareness campaigns	Scheduled campaign activities	X	
Pollution Control	Waste management interventions	Initiatives to segregate and reduce waste implemented	X	
	Installation of waste segregation bins	Waste bins provided in laboratories and installed around the HQ compound	X	
	Laboratory waste disposal (empty chemical bottles)	Disposal report/ minutes/ collection by NEMA-approved service provider	X	
Climate Change	Energy saving initiatives – conduct internal energy audit to act as a baseline	Internal energy audit report with recommendations		X
	Rainwater harvesting as an alternate source of water	Feasibility report on rainwater harvesting		X
Environmental Ecological Enhancement	Conduct annual tree planting exercise	Number of trees planted – a total of 8700 trees were planted in the year. KEBS adopted part of Mt. Kenya Forest (Hombe Forest) where 8000 trees were planted in November 2022.	X	
Environmental Education and Awareness	Display environmental policy in strategic locations	Physical (offices) and online (website & entropy)	X	
	Identify, train and appoint environmental champions	EHS champions trained/ appointed as members of the EHS committees in HQ and regions.	X	
	Participation in environmental events with communities and schools	Evidence of participation in environmental events – tree planting with local community at Mt. Kenya (Hombe) forest in November 2022	X	
	Sensitization of staff on environmental sustainability relevant to KEBS mandate	Records of sensitization sessions		X

c. Efforts to manage biodiversity

This was mainly achieved through the tree planting exercises conducted at the HQ and in the adopted portion of Mt. Kenya Forest. The trees will in turn provide functioning ecosystems that will supply oxygen, clean air and water and improve pollination of plants.

d. Waste management policy

KEBS generates different types of waste during its operations including office, laboratory, medical, gardening and kitchen waste. The waste can broadly be categorized as physical (paper, glass, plastics, e-waste), chemical (used chemicals and reagents, expired chemicals, and reagents) and biological (food remains and samples) waste. This waste can create significant health problems and an unpleasant working environment if not disposed safely and appropriately. If not correctly disposed, waste may provide breeding sites for insect-vectors, pests, snakes, and vermin (rats) that increase the likelihood of disease transmission. It may also pollute water sources and the environment. KEBS has therefore engaged a NEMA-approved waste management service provider to handle waste generated in the laboratories and general offices. The waste is collected twice every week and disposed as per NEMA guidelines.

e. Efforts to reduce environmental impact of the KEBS services.

These include:

- ❖ Training of staff on ISO 14001:2015 Standard on Environment Management Systems (EMS).
- ❖ Waste segregation at source especially in the laboratories.
- ❖ Proper disposal of chemical and other wastes via a running contract with a NEMA-approved waste management service provider.
- ❖ Monthly inspections to identify environmental hazards and recommend appropriate preventive and corrective actions.
- ❖ Use of fume hoods in the laboratories to reduce air pollution and enhance air quality for staff.
- ❖ Automation of KEBS processes to reduce use of stationery thus conserving the environment.
- ❖ Treatment of laboratory wastewater in Kisumu regional offices.
- ❖ Monitoring of radiation level in the radiation laboratory.
- ❖ Tree planting by KEBS.

iii. Employee welfare

KEBS implements human resource policies that guide on management of human capital in compliance with the Constitution of Kenya 2010, labour laws and related regulations. In compliance with the constitution, gender mainstreaming, balance on appointment and promotion, is observed with a view of ensuring that a minimum of a third (1/3) of either gender is achieved. The recruitment process is done through a consultative process where heads of departments determine the skills and competencies required for all jobs. Furthermore, stakeholders are involved in identification and implementation of relevant interventions to address the skill gaps. The recruitment process encourages the female gender and persons with disabilities to apply. Challenges faced during the process are discussed thereafter and improved.

KEBS implements a training and development policy that ensures profiling of required skill set, identifies skills gaps and implementation of appropriate interventions to improve on staff competencies. The staff career guidelines outline the requirements for competencies to progress in a job.

The Staff Performance is managed through the Balanced Scorecard tool and implementation of a reward system in recognition of performance. This ensures target setting are done at the beginning of the financial year taking into account the objectives set out in the Strategic Plan, Government Performance Contract and other relevant requirements. KEBS has a policy on health and safety which is in compliance with OSHA Act, 2007.

The work environment is assessed by DOSH for compliance and staff have insurance covers of GPA, Group Life and Medical Scheme. Furthermore, KEBS implements employee wellness programs to address emerging issues like mental health, drug, and substance abuse.

iv. Market place practices-

KEBS has outlined its effort as below.

a. Responsible competition practice

KEBS implements the Anti Bribery Management system based on ISO 37001. In establishing, implementing and maintaining the system, KEBS considers the context of operation needs and expectations of interested parties including public officials and competitors. Furthermore, KEBS undertakes bribery risk assessment on a quarterly basis to identify critical touch points and implements controls to address potential risks. KEBS requires business associates and suppliers to complete a self-declaration form that the person/tenderer will not engage in any corrupt or fraudulent practices and fulfils the requirements of Public Procurement and Asset Disposal Act of 2015. KEBS observes political neutrality as public service regulations.

b. Responsible Supply chain and supplier relations

KEBS implements Article 227 of the Constitution where fairness is key in the whole supply chain process as guided by the Public Procurement and Asset Disposal Act (PPADA) 2015 and Public Procurement and Asset Disposal Regulations (PPADR) 2020. KEBS gives priority to special groups in line with Access to Government Procurement Opportunities (AGPO) and encourages procurement of goods and services produced locally.

c. Responsible marketing and advertisement

KEBS works towards creating awareness and visibility of its brand and products. The organization's marketing and advertisements are socially responsible and culturally sensitive to the business community and society.

The marketing and advertisements provide stakeholders with information on quality content, which is a factual and honest representation of its products, delivered in a framework of social values. Marketing tools are transparent and give full disclosure of information on various products offered by KEBS and their application.

The information is targeted to uphold quality of products within the market, including public surveillance by use of KEBS Toll-free Line 1545 and KEBS Short code 20023 for verification of validity of product certification permits and confirmation of employment status of personnel.

In the FY 2022/2023 KEBS mainly applied these modes of marketing and advertising while protecting consumer privacy:

- i. Digital Marketing through social media and online search advertising, KEBS website, targeted e-mail and bulk SMSs.
- ii. KEBS placed advertisement in newspapers, industry specific magazines, sector specific information packets, workshops, shows exhibitions, posters, and video casts to disseminate promotional materials for advocacy, sensitization, and community outreach.

KEBS implements a robust complaint management system to ensure customer concerns and appeals are captured and addressed. Consumer complaints are addressed through KEBS market surveillance consumer complaints procedure.

d. Product stewardship

KEBS ensures that consumers have the right to goods and services of reasonable quality. KEBS developed and harmonized 22 market driven standards for various goods and services, that provide industry with guidelines including the minimum requirements for product quality, issued more than 7000 of certified Products permits and

build capacity to over 3700 Micro and Medium scale Entrepreneurs (MSME's) . KEBS implements conformity assessment through the product certification scheme to ensure that locally manufactured products comply with the

requirements of relevant standards and certification marks. To safeguard consumer rights on quality, KEBS carries out regular market surveillance of products in the Kenyan market. KEBS laboratories are accredited to ISO/IEC 17025 to ensure proficiency of the tests.

v. Corporate Social Responsibility / Community Engagements

KEBS engaged the community in various fora and planted over 30,000 trees and donated white boards, food stuff and a water tank in the year 2022/2023. The CSI targeted twenty-three schools in twenty counties for the donation of fruit trees, white boards and other materials.



Figure 12: KEBS team donate food stuffs to school children in Baringo.



Figure 13: KEBS team pose for a group photo after adopting Hombe forest.



Figure 14: KEBS Marketing Team enlightening school students on Hombe forest

11. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of affairs of KEBS.

Principal activities

The principal activities of KEBS are;

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

i) Results

KEBS results for the year ended June 30, 2023 are set out on Page 1 to 5.

ii) Directors

The NSC members who served during the year are shown on page xii and the following NSC members were appointed/reappointed and others exited the NSC during the year under review as listed in the table below:

Table 5: Board Directors Appointment and Exits

BOARD APPOINTMENT & RETIREMENT					
S. No	NAME	DATE	S. No	DATE	DATE
APPOINTMENTS			EXITS		
1	Patricia Okune	24th Feb.2023	1	Martha Wariithi	24th Feb.2023
2	Francis Karu	24th Feb.2023	2	Munyua Waiyaki	24th Feb.2023
3	Grace Momanyi	24th Feb.2023	3	Eddy Njoroge	24th Feb.2023
4	Stephen Yego	24th Feb.2023	4	Edda Boyani	24th Feb.2023
5	Shallow Yahya	24th Feb.2023	5	Kasili Mutambo	24th Feb.2023
6	John Njera	7th Feb.2023	6	Julius Kirima	26th Jan. 2023
7	Nimo Omar	9th Jun. 2023	7	Veronica Okoth	7th Feb. 2023
8	Kennedy Wabwile	26th Jan. 2023	8	Jeremiah Kinyua	23rd June 2023
9	Jeremiah Kinyua	20th Jan. 2023	9	Rodgers Abisai	14th Nov. 2022
10	Peter Munyiri	23rd Jun. 2023	10	Patrick Musila	20th Feb. 2023
11	Gilbert Langat	13th July 2022			

iii) Surplus remission

KEBS remitted 250,000,000 into the Consolidated Fund as provisional surplus in the year under review.

iv) 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 for the year ended 30th June 2023.

By Order of the NSC.



Esther Ngari
Managing Director/Secretary to the NSC

15/3/2024
Date

12. 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. The financial statement should give a true and fair view of the state of affairs of KEBS and the operating results for the year under review. The NSC is also required to ensure that KEBS keeps proper accounting records, which disclose with reasonable accuracy the financial position of KEBS. The NSC is also responsible for safeguarding the assets of KEBS.

The NSC is responsible for the preparation and presentation of KEBS financial statements, which give a true and fair view of the state of affairs of KEBS for and as at the end of the financial year ended June 30, 2023. 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 NSC 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 NSC 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, 2023, and of the KEBS financial position as at that date. The NSC 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 NSC 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 28th Sep 2023 and signed on its behalf by:

Signature



Name

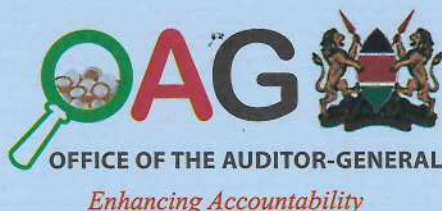
Peter Munyiri HSC,OGW
For NSC Chairman



Esther Ngari
Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA BUREAU OF STANDARDS (KEBS) FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner, to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that the entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Bureau of Standards (KEBS) set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2023, statement of financial performance, the statement of changes in net assets, statement of cash flows and the 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 matter 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, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and complies with the Public Finance Management Act, 2012 and the Standards Act (Cap 496) of the Laws of Kenya, July, 1974.

Basis for Qualified Opinion

Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.1,649,989,054 as disclosed in Note 22 to the financial statements. Included in this balance were general trade creditors of Kshs.644,201,817 out of which a sample of payables of Kshs. 75,858,279 was verified. However, the supporting documents provided were insufficient because they did not include key procurement documents like the delivery notes, invoices and inspection and acceptance committee minutes.

It was further observed that the purchase orders were long outstanding and that the goods or services had not been delivered. This is contrary to Regulation 53 of the Public Finance Management (National Government) Regulations, 2015 which states that, (1) A local purchase order or local service order shall be valid for a period of thirty days from the date of issue. (2) Any public officer who receives goods or services beyond the stipulated period specified in paragraph (1) commits an offence under the Act. (3) Any public officer involved in the processing of a payment with regard to goods or services delivered after due date shall inform the accounting officer of this anomaly before proceeding to process the payment. (4) The public officer in charge who fails to ensure that the local service order or local purchase order is cancelled after thirty days commits an offence under the Act.

In the circumstances, the accuracy and fair statement of trade and other payables from exchange transactions balance of Kshs.1,649,989,054 could not be confirmed and Management was also in breach of the law.

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.

Emphasis of Matter

Uncertainty on Sustainability of Services

The statement of financial position reflects current liabilities balance of Kshs.2,256,131,930 (2021-2022: Kshs. 2,112,660,281) against current assets of Kshs.1,325,549,918 (2021-2022: Kshs. 819,024,389) resulting to a negative working capital of Kshs. 930,582,012 (2021-2022: Kshs.1,293,635,892).

In the circumstances, the Bureau is technically insolvent, and the financial statements have been prepared on assumption of a going concern basis and of continued financial support from the National Government, bankers and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2023.

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, I confirm that, nothing 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

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 which 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 overall 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 which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Bureau's ability to continue sustaining its 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 authorities 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 Management 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 which 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 which govern them 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 which might be material weaknesses under the ISSAIs. A material weakness is a condition in which, the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement 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 policies and procedures may deteriorate.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Bureau's ability to sustain its 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 sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which 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 which are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 March, 2024

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022-23	2021-2022
		Kes	Kes
Revenue from non-exchange transactions			
Standards Levy	6	708,713,153	600,888,172
Revenue from exchange transactions			
Rendering Of Services	7	6,239,274,419	4,419,885,754
Government Transfer-(RIIP)	8	9,000,000	5,000,000
Finance Income	9	4,928,891	2,841,531
Other Income	10	12,625,575	13,473,086
Total revenue		6,974,542,038	5,042,088,543
Expenses			
Employee costs	11	2,822,933,455	2,490,547,344
Remuneration of directors	12	64,965,734	29,798,181
Depreciation and amortization expense	13	171,643,954	151,991,373
Repairs and maintenance	14	514,793,457	432,840,122
Contracted services	15	72,749,512	37,065,697
Use of Goods and Services	16	2,845,901,368	2,143,556,249
Finance costs	17		11,672,712
Total expenses		6,492,987,479	5,297,471,677
Exchange loss.			
Gain on Disposal			
Surplus /Deficit for the period		481,554,559	(255,383,133)
Remittance to National Treasury		250,000,000	
Net Surplus /Deficit for the period		231,554,559	(255,383,133)

The notes set out on pages 6 to 28 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the National Standards Council by:



Managing Director
Esther Ngari



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



For NSC Chairman
Peter Munyiri
HSC,OGW

Date: 15/3/2024

Date: 15/03/24


Date: 15-03-2024

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022-2023	2021-2022
		Kes	Kes
Assets			
Current assets			
Cash and cash equivalents	18	507,675,097	227,623,783
Current receivables from exchange transactions	19	643,452,646	440,807,626
Receivables from non-exchange transactions	20	50,179,963	35,104,395
Inventories	21	124,242,213	115,488,585
Total Current Assets		1,325,549,918	819,024,389
Non-current assets			
Non current receivables from exchange transactions	19	643,140,819	689,510,045
Property, plant and equipment	26	3,306,769,028	3,141,048,414
Intangible assets	27	1,984,989	2,835,698
Total Non current assets		3,951,894,836	3,833,394,158
Total Assets		5,277,444,754	4,652,418,547
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	1,649,989,054	976,856,257
Court Awards	23	480,679,862	766,099,593
Current portion of borrowings	24	125,463,014	369,704,431
Total Current Liabilities		2,256,131,930	2,112,660,281
Non-current liabilities			-
Total Liabilities		2,256,131,930	2,112,660,281
Total Net assets		3,021,312,824	2,539,758,266
Revaluation Reserves		990,156,591	990,156,591
Accumulated surplus		1,035,688,027	554,133,469
Capital Fund		995,468,206	995,468,206
Total Net Assets and Liabilities		3,021,312,824	2,539,758,266

The Financial Statements set out on pages 1 to 5 were signed on behalf of the National Standards Council by:


Managing Director
Esther Ngari


Director Finance and Strategy
Mohammed Adan
ACCAMember: 10084733/1562/782


For NSC Chairman
Peter Munyiri
HSC,OGW

Date: 15/3/2024

Date: 15/03/24

Date: 15/03/2024

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Revaluation reserve	Retained earnings	Capital/Development Grants/Fund	Total
	Kes	Kes	Kes	Kes
At June 30, 2021	990,156,591	809,516,602	995,468,206	2,795,141,399
Deficit for the year		(255,383,133)		(255,383,133)
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
Transfer to National Treasury				-
At June 30, 2022	990,156,591	554,133,469	995,468,206	2,539,758,266
Surplus for the year		481,554,559		481,554,559
Capital/Development grants received during the year				-
Transfer of depreciation/amortisation from capital fund to retained earnings				-
At June 30, 2023	990,156,591	1,035,688,028	995,468,206	3,021,312,825

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		2022-2023	2021-2022
	Notes	Kes	Kes
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	8	9,000,000	5,000,000
Levies, fines, and penalties	6	708,713,153	600,888,172
Rendering of services	7	6,239,274,419	4,419,885,754
Finance income	9	4,928,891	2,841,531
Other income	10	12,625,575	13,473,086
Total receipts		6,974,542,038	5,042,088,543
Adjusted for increase/decrease in receivables	25	(171,351,362)	166,433,770
Net Receipts		6,803,190,676	5,208,522,313
Payments			
Use of goods and services	16	2,845,901,368	2,143,556,249
Employee costs	11	2,822,933,455	2,490,547,343
Board Expenses	12	64,965,734	29,798,181
Repairs and maintenance	14	514,793,457	432,840,122
Contracted services	15	72,749,512	37,065,697
Financial cost		-	11,672,712
Total payments		6,321,343,525	5,145,480,304
Adjusted for:- Increase/decrease in inventory	25	8,753,628	-4,759,354
Decrease in payables	25	(143,471,648)	118,252,568
Net Payments		6,186,625,504	5,258,973,518
Net cash flows from/(used in) operating activities		616,565,171	(50,451,205)
Cash flows from investing activities			
Purchase of PPE and Intangible assets	26	336,513,858	83,157,131
Net cash flows from/(used in) investing activities		336,513,858	83,157,131
Net increase/(decrease) in cash & Cash Equivalents		280,051,313	(133,608,335)
Cash and cash equivalents at 1 July	18	227,623,784	361,232,120
Cash and cash equivalents at 30 June		507,675,097	227,623,785

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
Revenue	Kes	Kes	Kes	Kes	Kes	%
Standards Levy	894,341,000	-	894,341,000	708,713,153	(185,627,847)	79%
Revenue from exchange transactions		-			-	
Rendering of services	5,356,487,040	1,187,311,671	6,543,798,711	6,239,274,419	(304,524,292)	95%
Government Transfer-(RIIP)	7,000,000	-	7,000,000	9,000,000	2,000,000	129%
Finance Income	3,380,000	-	3,380,000	4,928,891	1,548,891	146%
Other Income	5,470,000	-	5,470,000	12,625,575	7,155,575	231%
Total revenue	6,266,678,040	1,187,311,671	7,453,989,711	6,974,542,038	(479,447,673)	94%
Expenses		-				
Employee costs	3,197,904,070	(26,000,000)	3,171,904,070	2,822,933,455	348,970,614	89%
Remuneration of directors	30,000,000	35,000,000	65,000,000	64,965,734	34,266	100%
Depreciation and amortization expense	173,985,810	-	173,985,810	171,643,954	2,341,856	99%
Repairs and maintenance	512,748,400	534,010	513,282,410	514,793,457	(1,511,047)	100%
Contracted services	77,100,000	7,223,740	84,323,740	72,749,512	11,574,228	86%
Use of Goods and Services	1,808,369,760	1,095,344,701	2,903,714,461	2,845,901,368	57,813,094	98%
Finance costs	10,000,000	23,300,000	33,300,000		33,300,000	0%
Total expenditure	5,810,108,040	1,135,402,451	6,945,510,491	6,492,987,479	452,523,012	93%
Adjustment for Disposal		-				
Surplus for the period	456,570,000	51,909,220	508,479,220	481,554,559	(26,924,661)	
Capital Expenditure	456,570,000	51,909,220	508,479,220	336,513,858	171,965,362	66%

Notes for material deviation.

1. Income

i) **Standards Levy** The achievement regarding Standards Levy was short by 21% due to closure of some of the businesses, lack of raw materials and the harsh economic times experienced in the country.

ii) **Rendering of Services**

a. **Diamond Mark and Standardization Mark.**

The extension of validity of standardization mark and requirement of payment of fees for 2 years contributed to the deviation since the same had overachieved in the previous financial year.

b. **PVoC Royalties**

PVoC contracts expired mid-year and due to legal issues, the renewal of the contracts was delayed thus affecting the revenue generated.

iii) **Finance Income**- increased due to interest earned from the KEBS collection account with balances of over Kes 100 million as at 30th June 2023.

v) **Other incomes** increased due to rental income expected from the outsourced space that generated the rental income.

2. Expenditure

- i) **Employee Cost**- The expenditure target was not met due to staff exits during the year and lack of new recruitments that were budgeted for.
- ii) **Repairs and Maintenance and Contracted services** - This was underspent due to the delay in procurement process.
- iii) **Use of Goods and services**- This was overspent due to a recognition of a crystalized litigation.

Summary of reallocations

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

19. 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. The principal activities include development and dissemination of standards related information, dissemination of measurement standards, calibration of measurements and testing equipment, laboratory testing, quality assurance, market surveillance, systems certification, training, and quality inspection of all imports.

2. Statement of Compliance and Basis of Preparation

KEBS financial statements have been prepared in accordance with the PFM Act 2012, State Corporation Act Cap 446 and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings (Kes) which is the functional and reporting currency. All values have been rounded off 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. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link
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	<p>between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p> <p><i>The standard is currently not applicable to KEBS</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial 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"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p><i>The Standard is not applicable to KEBS.</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) 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><i>The Standard is not applicable to KEBS.</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> (a) <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). (b) <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. (c) IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>The standard is not applicable to KEBS.</i></p>

<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard once adopted will have an increase in leased assets and also an increase in lease liabilities in the financial position. Similarly, it will also have an impact to the statement of comprehensive income due to the increase in the cost of depreciation.</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard is not applicable to KEBS.</p>

ii. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from non-exchange transactions

Standards Levy Fees

KEBS 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. Revenue from Exchange Transactions

a. Rendering of services

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

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

b. 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

The original budget for FY 2022-2023 was approved by the National Treasury on 15th June 2022. 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

i. Value Added Tax (VAT)

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

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT 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 VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

For KEBS, expenses and assets are recognised at the gross amount.

ii. 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

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

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 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 expensed in the statement of financial performance.

f) Intangible assets

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

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

g) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Financial Instruments

i. 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.

ii. 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.

h) Inventories

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

i) Provisions

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.

j) 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.

k) 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.

l) Nature and purpose of reserves

Reserves are created and maintained in terms of specific requirements. KEBS revenue reserves are maintained for purposes of upgrading and expansion of KEBS quality infrastructure. Revaluation reserves reported refers to the change in fixed assets since the last revaluation in 2009.

Changes in accounting policies and estimates

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.

m) Employee benefits

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.

n) 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. Receivables in foreign currency are converted at the central bank rate at the end of the financial reporting period.

o) Related parties

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 of the NSC members, Managing Director, Directors, Heads of other various departments and Regional Managers within KEBS.

p) 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.

q) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. A change in the cash flow statement has been effected and changed from Indirect method of reporting to the direct method including the comparative figures.

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, 2023.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. KEBS based its assumptions and estimates on parameters available when the financial statements were

prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of KEBS.

b) Going Concern

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

KEBS posted a surplus of Kes **621 Million** in the financial year under review.

Useful lives and residual values

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

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

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

- | | | |
|------|---|----------|
| i. | Buildings lease period | 99years |
| ii. | Equipment | 10 years |
| iii. | Computer | 3 years |
| iv. | Motor vehicle | 5 years |
| v. | Intangible assets (Software) | 3 years |
| vi. | Lease hold Land and Work in Progress are not depreciated. | |

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date. The provision for bad debts is specific.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. STANDARDS LEVY		
Description	2022-2023	2021-2022
	Kes	Kes
Standards Levy	708,713,153	600,888,172
Total Standards Levy	708,713,153	600,888,172
7. RENDERING OF SERVICES		
Inspection of Motor Vehicles	363,603,968	387,025,689
Laboratory Analysis Fees	64,026,744	74,395,108
Metrology Services Fees	83,905,319	83,129,943
Systems Certification Fees	70,438,122	68,370,919
Seminar Fees	74,895,460	93,630,100
Diamond Mark Fees	64,638,831	55,032,749
Sale of Standards & Development Fees	51,890,368	35,374,465
Destination Inspection Fees	3,913,752,856	2,106,717,982
Standardization Mark Fees	349,757,398	377,443,092
PVOC Royalties	1,183,939,271	1,133,582,810
NQI Membership Fee	18,426,082	5,182,896
Total Revenue from Rendering of Services	6,239,274,419	4,419,885,754
8. Government Transfer		
Description	2022-2023	2021/2022
	Kes	Kes
RiIP Project	9,000,000	5,000,000
NRF		-
Total Government Transfers	9,000,000	5,000,000
9. FINANCE INCOME		
Description	2022-2023	2021/2022
	Kes	Kes
Finance Income	4,928,891	2,841,531
Total Interest Income	4,928,891	2,841,531
10. OTHER INCOME		
Description	2022-2023	2021/2022
	Kes	Kes
Miscellaneous Income	12,625,575	9,546,809
Other Development Partners		3,926,277
Total Other Income	12,625,575	13,473,086

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

11. EMPLOYEE COSTS		
	2022-2023	2021/2022
	Kes	Kes
Basic Salary	1,641,632,475	1,484,662,945
House Allowance	423,814,484	388,799,344
Commuter & Other Expenses	218,364,005	186,447,951
Gratuity and Pension Expenses	226,774,036	152,444,756
NSSF Contribution	7,699,246	2,457,200
Transfer Allowance	11,234,677	17,375,351
Leave Allowance	50,173,852	46,759,726
Performance Management	17,112,802	4,530,268
Alcohol & Drug Prevention and HIV Program	7,836,696	6,570,434
Medical Insurance	188,957,887	175,631,369
Staff Awards & Honoraria	29,333,296	24,868,000
Total Employee Cost	2,822,933,455	2,490,547,344
12. REMUNERATION OF DIRECTORS		
Description	2022-2023	2021/2022
	Kes	Kes
Board Meeting Expenses		
Chairman/Directors' Honoraria	651,667	960,000
Sitting allowances	12,566,600	4,550,600
Induction and Training	15,189,637	4,352,012
Travel and accommodation	36,557,830	19,935,569
Total	64,965,734	29,798,181
13. DEPRECIATION AND AMORTIZATION EXPENSE		
Description	2022-2023	2021/2022
	Kes	Kes
Property, plant and equipment	170,793,244	150,776,073
Intangible assets	850,709	1,215,299
Total Depreciation and Amortization	171,643,954	151,991,373
14 .REPAIRS AND MAINTENANCE		
Description	2022-2023	2021/2022
	Kes	Kes
Transport Operating	38,152,756	32,895,665
Computer Expenses	293,822,587	211,551,258
Maintenance of Office Equipment	5,822,355	6,159,001
Maintenance of Physical Standards & Lab Equipment	41,788,831	31,665,308
Maintenance of Building	74,704,971	83,537,241
Civil & Engineering Alteration	60,501,957	67,031,649
Total Repairs and Maintenance	514,793,457	432,840,122
15. CONTRACTED SERVICES		
Description	2022-2023	2021/2022
	Kes	Kes
Contracted Professional services	72,749,512	37,065,697
Total Contracted Services	72,749,512	37,065,697

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

16. USE OF GOODS AND SERVICES		
Description	2022-2023	2021/2022
	Kes	Kes
Post and Delivery	10,994,106	15,570,052
Telephone	5,321,833	3,680,444
Tender Expenses	15,271,768	13,655,250
Electricity, Water and Conservancy	35,730,182	33,010,447
Fuel	39,774,505	27,331,962
Publishing and Printing	7,222,885	5,338,810
Purchase of Uniforms and Clothings	4,862,249	3,740,473
Library	17,392,040	5,699,271
Purchase of Stationery	37,904,485	38,349,895
Advertising and Publicity	31,000,582	24,614,473
Show and Exhibitions	33,041,521	26,658,792
Sports and Welfare	83,243,888	96,754,630
Rent and Rates	48,983,378	47,022,491
Hire of Transport	61,160	3,600
Audit fees	1,614,720	1,503,360
Security	35,030,553	32,469,366
Subscriptions	28,421,930	17,502,396
Training	73,428,564	118,441,821
Seminar	59,015,607	62,558,843
World Standards and Metrology days	5,808,701	3,127,600
Environment, Health & Safety Services	30,617,210	20,803,945
Legal Expenses	94,825,965	71,110,659
Research and Development in Metrology	30,584,686	8,950,107
Laboratory Material Chemicals & Reagents	135,965,570	122,093,322
Standards Enforcement	64,640,189	23,303,317
Certification Services	61,271,759	30,766,104
Standards Development	106,866,986	69,302,249
Accreditation Services	92,338,215	67,494,813
BIPM CMC Programme	3,894,013	3,233,329
Kenya National Committee of IEC	5,371,642	6,194,591
Quality Awards	1,399,100	-
Insurance	17,733,604	36,104,612
Bank Charges	14,853,871	8,497,236
Regional Integration expenses	11,325,569	12,986,128
Hortigreen Expenses	-	4,049,407
NRF Expenses		1,117,700
Local Travelling and Accomodation	276,678,294	201,876,526
External Travelling	122,978,761	32,538,634
Court Awards	1,200,431,277	846,099,593
Total Use of Goods and Services	2,845,901,368	2,143,556,249

17 .FINANCE COSTS		
Description	2022-2023	2021/2022
	Kes	Kes
Interest on Bank overdrafts		11,672,712
Total Finance Costs		11,672,712
18(a) CASH AND CASH EQUIVALENT		
Description	2022-2023	2021/2022
	Kes	Kes
Bank	282,181,584	51,848,483
Cash	232,818	182,899
Short-term deposits (Restricted Cash)	18,021,201	17,386,100
Staff Mortgage Account (Restricted Cash)	207,239,494	158,206,301
Total Cash and Cash Equivalent	507,675,097	227,623,783

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

(b) Current Accounts			
FINANCIAL INSTITUTION	ACCOUNT No.	2022/2023	2021/2022
		Kes	Kes
National Bank of Kenya	0100-3002-830-600	1,052,003	-
National Bank of Kenya	0100-3002-830-607	-	1,307,931
National Bank of Kenya	0100-3236-26100	-	2,184,734
National Bank of Kenya	0200-302-830-600	884,595	20,700,137
National Bank of Kenya	0100-343-159-300	-	112,745
National Bank of Kenya	0100-320-408-500	-	1,087,780
National Bank of Kenya	0100-328-362-800	-	1,357,803
Kenya Commercial Bank	110-783-946-7	-	1,311,972
Co-operative Bank	212-050-445-4700	-	2,950,704
Co-operative Bank	114-415-044-547-00	-	4,699,682
National Bank of Kenya	010-20002830601	-	14,825,275
National Bank of Kenya	010-71002830601	279,519,306	1,309,720
National Bank of Kenya	010-7100-2830-600	725,680	
TOTAL		282,181,584	51,848,483
(ii) Fixed Deposits			
National Bank of Kenya		18,021,201	17,386,100
TOTAL		18,021,201	17,386,100
(iii) Staff Mortgage			
Kenya Commercial Bank		207,239,494	158,206,301
Others		507,442,279	227,440,884
Cash At Hand		232,818	182,899
Grand Total		507,675,097	227,623,783
(iv) Overdrawn Accounts			
National Bank of Kenya	0100-3002-830-600		(21,926,912)
National Bank of Kenya	0100-3002-830-602	(5,692,233)	(12,925,957)
National Bank of Kenya	0100-3002-830-603	(1,090,343)	(2,185,288)
National Bank of Kenya	0100-3002-830-604	(49,317,386)	(73,422,709)
National Bank of Kenya	0100-3002-830-605	(1,136,625)	(1,111,685)
National Bank of Kenya	0100-3002-830-606	(1,287,821)	(1,286,251)
National Bank of Kenya	0100-3002-830-607	(69,510)	
Kenya Commercial Bank	110-761-835-5	(8,442,148)	(17,333,712)
National Bank of Kenya	010-2000-283-0601	(20,765,395)	
Co-operative Bank	114-415-044-547-00	(11,817,965)	
Co-operative Bank	212-050-445-4700	(14,333,207)	
National Bank of Kenya	0100-10510-9703	(1,400,493)	(7,565,208)
	TOTAL	(115,353,125)	(137,757,722)
(v) Overdrawn Mpesa			
M-PESA	804700	(10,109,889)	(25,035,636)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Description	2022-2023	2021/2022
	Kes	Kes
Current receivables		
Trade Debtors	520,910,792	352,666,710
Makhecha & Company Advocates	17,500,000	17,500,000
Prepayments	2,697,529	2,697,529
Staff Advances	7,115,458	6,446,966
Miscellaneous Debtors	1,585,822	1,585,822
Accrued Expenses	118,958,130	81,825,683
Provision for doubtful debts	(52,548,453)	(52,548,453)
KCB- KRA receivable	21,600,000	21,600,000
Other Debtors- Canteen	-	3,400,000
Rent Deposits	5,633,369	5,633,369
Total Current receivables	643,452,646	440,807,626
Non-current receivables		
Staff Mortgage Scheme	643,140,819	689,510,045
Total non-current receivables	643,140,819	689,510,045
Total Receivables From Exchange Transactions	1,286,593,465	1,130,317,671
20. RECEIVABLES FROM NON-EXCHANGE		
Description	2022-2023	2021/2022
	Kes	Kes
Current receivables		
Kenya Revenue Authority	50,179,963	35,104,395
Total current receivables	50,179,963	35,104,395

RECEIVABLES AGING ANALYSIS		
a Receivables from Exchange Transactions (Current)		
	2022-2023	2021-2022
	Kes	Kes
Description	Kshs	Kshs
Receivables		
Service, Water and Electricity Debtors	17,955,779	119,343,837
Other Exchange Debtors	625,496,867	321,463,789
Total Current Receivables	643,452,646	440,807,626
b Receivables from Exchange Transactions (Long-term)		
	2022-2023	2021-2022
	Kes	Kes
Total receivables		
Other exchange debtors	643,140,819	689,510,045
Total non-current receivables	643,140,819	689,510,045
Total receivables (a+b)	1,286,593,465	1,130,317,671

(c) Ageing analysis for Receivables from exchange transactions				
	FY 2022-2023		FY2021-2022	
	Kes	% of the total	Kes	% of the total
Less than 1 year	364,905,770	28	209,542,709	18.54
Between 1- 2 years	57,299,173	4	23,566,461	2.08
Between 2-3 years	17,105,206	1	21,922,365	1.94
Over 3 years	847,283,315	66	875,286,135	77.44
Total (a+b)	1,286,593,465	100	1,130,317,671	100.00

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

21. INVENTORIES		
Description	2022-2023	2021/2022
	Kes	Kes
Stationery	42,076,981	22,993,156
Bio Chemical Stock	21,197,867	31,434,194
Standards Stock	50,955,455	52,458,360
Engineering Stock	10,011,910	8,602,876
Total inventories at the lower of cost and net realizable value	124,242,213	115,488,586
22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Description	2022-2023	2021/2022
	Kes	Kes
General Trade Creditors	644,201,817	382,433,078
Audit Fees Payable-Auditor Gen.	807,360	807,360
Staff Deductions Payable	127,303,563	103,049,231
Accrued Retention Fee	14,054,627	11,406,677
Accrued Creditors	518,479,862	292,468,840
Accrued Expenses -ISM Mark	92,456,672	21,260,176
Staff Performance Reward Payable	249,947,152	121,690,575
Accrued Legal Expenses	2,738,000	30,012,314
Unexpended Conditional Grant(RIIP & Hortigreen)	-	2,055,295
Accrued Overdraft Interest	-	11,672,712
Total Trade and Other Payables	1,649,989,054	976,856,257

TRADE & OTHER PAYABLES				
Description	2022-2023		2021-2022	
	Kes		Kes	
Trade payables	644,201,817		382,433,078	
Employee Payables	249,947,152		121,690,575	
Other payables	1,361,982,961		1,608,536,628	
Total trade and other payables	2,256,131,930		2,112,660,281	
Ageing analysis: (Trade and other payables)	2022-2023	% of the Total	2022-2023	% of the Total
	Kes		Kes	
Under one year	1,508,715,033	67	861,281,744	41
1-2 years	614,298,426	27	1,159,200,362	55
2-3 years	6,939,570	0	17,457,876	1
Over 3 years	126,178,901	6	74,720,299	4
Total	2,256,131,930	100	2,112,660,281	100.00

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

23. COURT AWARDS		
Description	2022-2023	2021/2022
	Kes	Kes
Court Awards	480,679,862	766,099,593
Total Court Awards	480,679,862	766,099,593
24. BORROWINGS		
Description	2022-2023	2021/2022
	Kes	Kes
Balance at beginning of the year	369,704,431	244,404,002
Domestic borrowings during the year		289,511,074
Repayments during the year	(244,241,418)	(164,210,645)
Balance at end of the year	125,463,014	369,704,431
	2022-2023	2021/2022
	Kes	Kes
Domestic Borrowings		
bank Overdraft from NBK	-	206,911,074
Overdrawn cashbooks	115,353,125	137,757,721
Overdrawn Mpesa	10,109,889	25,025,636
Total balance at end of the year	125,463,014	369,694,431
Description	2022-2023	2021/2022
	Kes	Kes
Short term borrowings(current portion)	125,463,014	369,704,431
Total Borrowings	125,463,014	369,704,431
25. CASH GENERATED FROM OPERATIONS		
	2022-2023	2021/2022
	Kes	Kes
Surplus/ Deficit for the year	481,554,559	(255,383,133)
Adjusted for:		
Depreciation	170,793,244	150,776,073
Amortization	850,709	1,215,299
Gains /loses/adjustments on assets		
Preliminary Expenses		
Working capital adjustments:		
Increase / Decrease In Inventories	(8,753,628)	4,759,354
Increase / Decrease In Receivables	(171,351,362)	166,433,770
Increase/ Decrease In Payables	143,471,648	(118,252,568)
Net cash flows from operating activities	616,565,171	(50,451,204)

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

26. PROPERTY, PLANT AND EQUIPMENT														
	Land		Buildings		Work in progress		Plant & equipment, Furniture and fittings		Computers		Motor Vehicle		Total	
	Kes		Kes		Kes		Kes		Kes		Kes		Kes	
Cost														
At 30th June 2021	127,390,000		1,838,279,242		242,431,006		2,213,259,051		378,119,997		487,991,258		5,287,470,554	
Additions					26,167,960		45,186,431		11,802,740				83,157,131	
Disposals														
Transfer/adjustments														
At 30th June 2022	127,390,000		1,838,279,242		268,598,966		2,258,445,482		389,922,737		487,991,258		5,370,627,684	
Additions			1,989,400		32,812,009		243,655,438		58,057,011				336,513,858	
Disposals														
Transfer/adjustments														
At 30th June 2023	127,390,000		1,840,268,642		301,410,975		2,502,100,920		447,979,748		487,991,258		5,707,141,542	
Depreciation and impairment														
At 30th June 2021			101,071,153		-		1,311,689,891		313,461,807		352,580,345		2,078,803,196	
Depreciation			6,080,053				94,675,559		22,938,279		27,082,182		150,776,073	
Disposals														
Impairment														
Transfer/adjustment														
At 30th June 2022			107,151,206		-		1,406,365,451		336,400,086		379,662,528		2,229,579,270	
Depreciation			6,080,053				109,573,547		33,473,899		21,665,746		170,793,244	
Disposals														
Impairment														
Transfer/adjustment														
At 30th June 2023			113,231,259		-		1,515,938,997		369,873,984		401,328,274		2,400,372,514	
Net book value														
As At 30th June 2022	127,390,000		1,731,128,036		268,598,966		852,080,031		53,522,651		108,328,730		3,141,048,414	
As At 30th June 2023	127,390,000		1,727,037,383		301,410,975		986,161,922		78,105,763		86,662,984		3,306,769,028	

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

27. INTANGIBLE ASSETS-SOFTWARE		
Description	2022-2023	2021-2022
	Kes	Kes
Cost		
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
Amortization and impairment		
At beginning of the year	140,882,214	139,666,915
Amortization	850,709	1,215,299
At end of the year	141,732,923	140,882,214
Impairment loss	-	-
At end of the year	141,732,923	140,882,214
NBV	1,984,989	2,835,698

28. 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.

Credit Risk	Total amount	Fully performing	Past due	Impaired
	Kes	Kes	Kes	Kes
As At 30 June 2023				
Receivables from exchange transactions	1,286,593,465	1,286,593,465	-	-
Receivables from non exchange transactions	50,179,963	50,179,963	-	-
Bank balances	507,675,097	598,707,943	-	-
Total	1,844,448,525	1,935,481,371		
As At 30 June 2022				
Receivables from exchange transactions	1,130,317,671	1,130,317,671	-	-
Receivables from non exchange transactions	35,104,395	35,104,395	-	-
Bank balances	227,623,783	227,623,783	-	-
Total Credit Risk	1,393,045,849	1,393,045,849		

b) Liquidity risk management

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.

Liquidity Risk Management				
	Less than 1 month	Between 1-3 months	Over 5 months	
	Kes	Kes	Kes	Total Kes
As at 30th June 2023				
Trade payables	143,879,107	437,003,488	63,319,221	644,201,817
Current portion of borrowings	125,463,014	125,463,014	125,463,014	125,463,014
Total	269,342,121	562,466,502	188,782,235	769,664,830
As at 30th June 2022				
Trade payables	302,630,794	1,383,153,023	300,725,031	1,986,508,848
Current portion of borrowings	244,404,002	218,532,649	218,532,649	244,404,002
Total	547,034,796	1,601,685,672	519,257,680	2,230,912,850

c) Market Risk

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

i) 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.

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:

Capital Risk Management	2022/2023	2021/2022	2020/2021
	Kes	Kes	Kes
Revaluation reserve	990,156,591	990,156,591	990,156,591
Retained earnings	1,035,688,028	554,133,469	809,516,602
Capital reserve	995,468,206	995,468,206	995,468,206
Total funds	3,021,312,825	2,539,758,266	2,795,141,399
Total borrowings	125,463,014	369,704,431	244,404,002
Less: cash and bank balances	507,675,097	227,623,783	361,232,120
Net debt/(excess cash and cash equivalents)	382,212,083	142,080,648	116,828,118
Gearing	4%	15%	9%

29. Related Party Disclosures

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, Directors, Head of various departments and Regional Managers within KEBS.

Government of Kenya

The Government of Kenya is the principal shareholder of KEBS, holding 100% of the Entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) Ministry of Investment Trade and Industry
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) The National Treasury and Planning
- v) The National Standards Council
- vi) Key management.

	2022-2023	2021-2022
	Kshs	Kshs
Transactons with related Parties		
a)Sales to related		
Rent income from govt.Agencies	1,786,264	1,786,264
Training and Certification of govt.Agencies	192,916,367	526,572,817
Interest Earned	2,848,540	2,841,531
Total		531,200,613
b)purchases from related parties		
Purchases of electricity from KPLC	30,515,495	28,935,697
Purchases of water from govt service providers	4,620,616	4,074,749
Rent expenses paid govt.Agencies	9,400,000	13,643,953
Training and conference fees paid to govt. agenc	7,005,000	5,899,945
Bank Charges and interest Payable	12,603,391	33,669,948
Total		86,224,292
c) Grants/transfers from the government		
Grants from national govt	9,000,000	5,000,000
Total	9,000,000	5,000,000
d) Key management compensation		
Directors emoluments	651,657	1,006,000
Compensation to Key management	165,089,724	67,768,100
Total	165,741,381	68,774,100

30. Contingent assets and contingent liabilities

Contingent liabilities	2022/2023	2021/2022
	Kes	Kes
Legal Litigation against KEBS	480,679,862	815,483,321
Total Contingent Liabilities	480,679,862	815,483,321

KEBS contingent liability in the year is estimated at Kes 480.7 Million on outstanding legal cases and costs.

31. Capital Commitments

CAPITAL COMMITMENTS		
Capital commitments	2022/2023	2021/2022
	Kes	Kes
Authorised and Contracted for	242,121,897	323,944,699
Total	242,121,897	323,944,699

The Capital Commitments for the year amounted to Kes 242.1 Million.

32. Surplus remission

KEBS remitted 250,000,000 into the Consolidated Fund as provisional surplus in the year under review.

33. Events after the reporting period

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

34. Ultimate and Holding Entity

KEBS is a State Corporation under the Ministry of Investment Trade and Industry. Its ultimate parent is the Government of Kenya.

35. Currency

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

APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR GENERAL'S RECOMMENDATIONS.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1 i)	Receivables from exchange transactions	The developer was engaged to develop KEBS staff housing Scheme which did not take place. A deposit of Kes 17,500,000 was paid for the staff housing scheme that was never implemented. The matter was forwarded to Inspectorate of State Corporation in 2011 and later referred to Ethics and Anti-Corruption Commission for investigations. This matter has taken over 20 years and it is unlikely that the monies will be recovered. KEBS made a request for approval from the National Treasury to write off the debt.	Not Resolved	Financial Year 2024
ii)	Prepayments	Prepayment of Kes 2,697,529 was made to three firms for goods and services that were never supplied 1. Tetralink Kenya Ltd – Kes.2, 256,436.75 (2000-2001) 2. Bestex Designers – Kes.153, 542.00 (2000-2001) 3. Home Link Ltd- Kes.287, 550.00 (1999-2000) This has taken over 20 years.	Not Resolved	Financial year 2024
iii)	Miscellaneous debtors of Ksh 1,585,822.00	The miscellaneous debtors of 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.	Not Resolved	Financial Year 2024
2.	Property Plant and Equipment	This refers to payments done (2012) in respect to preliminary activities to consultants for different works towards the commencement of the construction of coast regional offices and laboratories totalling to Kes 101,938,209. The project was later abandoned and KEBS opted for the purchase of a building which was much more cost effective and affordable. The Preliminary costs which were now sunk costs were expensed and removed from the Work in progress.	Not resolved	Financial Year 2024
3.	Cash and Cash Equivalent	This refers to money collected and banked in regional operations bank account that currently is before the court of law.	Not Resolved	

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

4	Supply and implementation of application software for KEBS integrated quality assurance and inspection operation	This relates to a contract which was awarded in 2012 to Circuit Business System for supply and implementation of an application software. The objectives of this project were not attained. This project was terminated and contractual options in regard to compensation to KEBS is being pursued through the court.	Not Resolved	Financial Year 2024
5	Pre-export verification of conformity (PVOC) for exports to Kenya	This is a case of M/s Tellam freighters who allegedly moved the goods from the port without KEBS intervention. To prevent this from occurring, KEBS agreed with KRA that customs entries for goods not accompanied with Certificates of Conformity (CoCs) issued by any of the KEBS appointed inspection agent will only be passed by Customs department upon satisfactory quality inspection by KEBS.	Not Resolved	Financial Year 2024
6	Unapproved procurement of Legal firms.	This relates to lawyers engaged in the case of Geochem Middle East Vs KEBS where; <ul style="list-style-type: none"> a. The National Standards Council resolved that the legal team handling Geochem case be strengthened. b. KEBS obtained a conditional approval and retainer agreement between KEBS and the Law Firms setting out the scope of work was drawn. c. The procurement of the said Law firms was necessitated by the urgency and the impact of the matter had on the operations of KEBS. d. The firms were on the list of pre-qualified list for providers of legal service for the period 2015/2016-2018. 	Not Resolved	Financial Year 2024
7	Non-Compliance with the E-Procurement	KEBS complied with Executive Order No.2 of 2018 by; <ul style="list-style-type: none"> a. maintaining and continuously updating and publicizing its procurement undertaking through the websites, public Notices boards and official government publication. b. KEBS has its own ERP(ACCPAC) which is not integrated with IFMIS, which is used processing procurement requests and procurement documents such as LPO/LSO and purchase requisition of vouchers 	Not Resolved	Financial Year 2023/2024

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

8	Budget and Budgetary Control	<p>KEBS was not able to collect the budgeted revenue resulting to a short fall of 24%. This was due to the Covid -19 pandemic that had a significant impact on the revenue collection for the year ended 30th June 2021. The demand for KEBS service during this time of COVID 19 pandemic was low</p> <p>Kenya being a net importer, majorly the imports came from China where factories were not producing during the pandemic and a general slowdown in the economy leading to firms closing down while others who had registered were not able to start manufacturing during the period.</p>	Resolved.	
9	Irregular Procurement of Insurance services.	<p>This relate to an expenditure on general Insurance Amounting to Ksh. 11,157,170 paid to Occidental Insurance Company ltd.</p> <p>This expenditure was properly approved by the organization and the services were received by the organization hence cannot be irregular. KEBS is under obligation to ensure that its assets are sufficiently protected against risk exposures that are insurable. The procurement of insurance services was done through an open tender and awarded to the lowest evaluated bidder. In this case occidental was found to be lowest evaluated bidder.</p>	Not Resolved	Financial Year 2024
10.	Uncertainty on Sustainability of Services.	<p>This related to the increase in deficit by Kshs 1,589,696,956 from the Financial year 2020 and 2021. KEBS books of accounts were prepared on the assumption that KEBS is a going concern and will continue with its operations uninterrupted and meet its statutory obligations for the foreseeable future.</p> <p>KEBS posted deficit of Kes 1,490,373,654 in the financial year 2021 following crystallization of contingent liability occasioned by the legal suit Geochem Middle East VS KEBS, where the case was ruled in favour of Geochem Middle East, which led to recognition of the liability in the books of accounts hence the negative working capital.</p> <p>The liability has been fully settled and the KEBS performance greatly improved in the Financial Year 2023.</p>	Not Resolved.	Financial Year 2024
11	Trade Receivable and other Receivables	<p>This related to the provision on bad and doubtful debt amounting to Ksh. 52,548,453 in respect of provision for bad and doubtful debts which excludes Ksh. 5,469,529 recovered during the year 2021 and trade debtors outstanding for more than ninety days and no general provisions for doubtful debts was charged amounting to Kshs. 211,404,755.</p> <p>KEBS does not have a policy on general provision and instead applies specific provision in line with the procedure on provision for bad debts as stipulated in the credit policy and the international Financial reporting standards.</p> <p>The practice of general provision has been declining and specifically has been prohibited by international Financial Reporting Standard(IFRS) IAS 39 prohibits</p>	Not Resolved	Financial Year 2024

Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

		creation of general provisions on the basis of past experience due to the subjectivity involved in creating such an estimate. Instead, reporting entity is required to carry out impairment review to determine the recoverability of the receivables and any associated allowance.		
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Kenya Bureau of Standards
Annual Reports and Financial Statements
For the year ended June 30, 2023.

APPENDIX 2: TRANSFER FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
The National Treasury and Planning	16/09/2022	Recurrent	9,000,000	9,000,000					9,000,000
Total			9,000,000	9,000,000					9,000,000