

REPUBLIC OF KENYA



26 JUL 2016

*PAPER 1011*  
*By the leader of*  
*the majority party*  
*Hon Allen Dula*  
*on Tuesday*  
*27.7.16*  
*[Signature]*

OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
UNCLAIMED FINANCIAL  
ASSETS AUTHORITY

FOR THE YEAR  
ENDED 30 JUNE 2015

KENYA NATIONAL AUDIT OFFICE  
P. O. Box 30084 - 00100, NAIROBI

15 JAN 2016

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UNCLAIMED FINANCIAL ASSETS AUTHORITY  
(UFAA)

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015



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**a Background Information**

The Unclaimed Financial Assets Authority (UFAA/ the "Authority") was created under the Unclaimed Financial Assets Act, No. 40 of 2011 (the "Act") to administer unclaimed financial assets.

The Board of Directors was gazetted under Legal Notice No.16272 of 9<sup>th</sup> November 2012.

**b Principal Activities**

The objects and functions of the Authority as defined by the Act include:

- (i) Enforce and generally administer the provisions of the Act.
- (ii) Receive all payments required by the Act to be made to the Unclaimed Assets Trust Fund (the "Fund").
- (iii) Make payments out of the Fund to the rightful owners in accordance with the provision of the Act.
- (iv) Manage and invest the funds of the Authority.
- (v) Advise the Cabinet Secretary on national policy to be followed with regard to unclaimed assets and implement all Government policies related to it.
- (vi) Perform such other functions as are conferred on it by the Act or other written law.

**c Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June 2015 and who had direct fiduciary responsibility were:

| No. | Designation                                 | Name   |
|-----|---|--|
| 1.  | Chief Executive Officer                     | Kellen Eileen Kariuki, MBS – Appointed 2 <sup>nd</sup> February 2015 |
| 2.  | Ag Chief Executive Officer                  | George Omino - Up to 2 <sup>nd</sup> February 2015                   |
| 3.  | Manager, Administration and Human Resources | Godfrey Busolo   |

**d Fiduciary Oversight Arrangements**

The Finance and Human Resource Committee of the Board oversees financial policies, decisions, financial operations and results of the Authority's financial operations.

The Audit, Risk and Governance Committee has the responsibility to review the external and internal audit arrangements, internal controls, risk and risk management, transparency and sustainability initiatives and review financial statements of the Authority for conformity with best practice and acceptable professional requirements.

The following Parliamentary Committees also have fiduciary oversight responsibilities over the Authority's operations; the Parliamentary Budget Committee oversees budgeting; the Parliamentary Investment Committee oversees investment decisions and the Parliamentary Accounts Committee oversees financial accountability.

**e Principal place of business**

2<sup>nd</sup> Floor, Pacis Centre  
Slip Road, off Waiyaki Way, Westlands  
P O Box 28235 – 00200  
Nairobi, Kenya



**f Authority's contact details**

+254 020 4343440  
+254 706 866 984  
+254 736 559 152

[info@ufaa.go.ke](mailto:info@ufaa.go.ke)

**g Bankers**

Kenya Commercial Bank - KICC Branch  
KICC Building, Harambee Avenue  
PO Box 46950 - 00100  
Nairobi, Kenya

**h Corporation Secretary**

Mrs Nelly A. Matheka  
Unclaimed Financial Assets Authority

**i Auditor**

The Auditor General  
Kenya National Audit Office  
Anniversary Towers, Loita Street  
PO Box 30084 - 00100  
Nairobi, Kenya

Delegated/Authorised Auditor:

PricewaterhouseCoopers  
Certified Public Accountants  
PwC Tower, Waiyaki Way / Chiromo Road, Westlands  
PO Box 43963 – 00100  
Nairobi, Kenya



Unclaimed Financial Assets Authority  
Board of Directors  
For the year ended 30 June 2015




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|                                |  |
|--------------------------------|--|
| Mr. Joseph K. Kigen            | Non-Executive Director – Appointed 2 <sup>nd</sup> October 2015          |
| <del>Mr. Henry K. Rotich</del> | <del>Non-Executive Director</del>  |
| Mr. Daniel Mutua               | Alt. Non-Executive Director  |
| Mrs. Kellen Eileen Kariuki     | Chief Executive Officer - Appointed 2 <sup>nd</sup> February 2015        |
| Mr. Parmain Ole Narikae        | Non-Executive Director – Appointed 2 <sup>nd</sup> October 2015          |
| Mr. Gabriel K. Nienga          | Non-Executive Director – Appointed 2 <sup>nd</sup> October 2015          |
| Mr. George Omino               | Ag. Chief Executive Officer - Up to 2 <sup>nd</sup> February 2015        |
| Mr. Vincent Kimosop            | Chairman, Non-Executive Director – Retired 24 <sup>th</sup> October 2015 |
| Mr. Abdikhani Albass           | Non-Executive Director – Retired 24 <sup>th</sup> October 2015           |
| Ms. Asha Ndisiyon Ngoley       | Non-Executive Director – Retired 24 <sup>th</sup> October 2015           |
| Mr. Charles M. Nduati          | Non-Executive Director – Retired 24 <sup>th</sup> October 2015           |
| Mr. Eric B. Orina              | Non-Executive Director - Degazetted 21 <sup>st</sup> November 2014       |










**Profile of Directors**

|  |   |
|--|---|
|   | <p><b>Mr. Joseph Kipchumba Kigen Katwa – Non-Executive Director</b></p> <p>Mr Kigen is a graduate of the University of Nairobi with a Bachelor of Laws LL.B (Hons.) degree and was admitted to the Bar as an Advocate of the High Court of Kenya in 1996. He has been in continuous practice since then.</p> <p>Katwa commenced his legal practice with the firm of Nyairo &amp; Company Advocates before moving on to the firm of Kibet &amp; Company Advocates and later Ochieng, Onyango, Kibet &amp; Ohaga Advocates. He has over the years handled various commercial transactions for leading commercial banks, manufacturing and general business companies &amp; Co-operative Societies. He has handled Conveyancing, Commercial Work, Bank Security Documentation, Debt Recovery, Civil Litigation &amp; Appeals, Arbitration, Corporate governance law issues, Succession, Divorce, Land Law and Criminal Defense.</p> <p>He is a founding Partner at Kigen&amp; Kemboy Advocates. He is also a Certified Public Secretary and Commissioner for Oaths.</p>  |
|  | <p><b>Mr. Henry K. Rotich - Cabinet Secretary, The National Treasury, Non-Executive Director</b></p> <p>Mr. Henry Rotich is the Cabinet Secretary, The National Treasury. He holds a Masters' degree in Economics and Bachelors' degree in Economics (First Class Honours) both from the University of Nairobi. He also holds a Masters' degree in Public Administration (MPA) from the Kennedy School of Government, Harvard University.</p> <p>Prior to his appointment as Cabinet Secretary, he had been the Head of Macroeconomics at The National Treasury, then Ministry of Finance, since 2006 where he was involved in the formulation of macroeconomics policies aimed at achieving the Government's development priorities. In addition, he was involved in the preparation of key budget documents including the Budget statements, as well as providing strategic coordination of structural reforms in the fiscal and financial sector.</p> <p>Prior to joining the Ministry of Finance, Mr. Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office to work as an economist. Mr. Rotich has also been a Director on several boards of state corporations, including the Insurance Regulatory Authority, Industrial Development Bank, the Communication Commission of Kenya and Kenya National Bureau of Statistics.</p> |

|   |  |
|---|--|
|    | <p><b>Mr. Daniel M. Mutua - Alternate to Cabinet Secretary, The National Treasury</b></p> <p>Mr. Mutua is an Ag. Deputy Director, Investment.</p> <p>He has over 23 years' public sector experience in various ministries including the Ministry of Labour, National Heritage and the National Treasury - Directorate of portfolio management. He also has intensive training in investment appraisal, enterprise risk analysis, corporate governance and public-private partnerships.</p> <p>Mr. Mutua holds a B.Ed. (Eco/Buss) - Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and several certificates from IP3 Institute - Washington DC - USA.</p>   |
|   | <p><b>Mrs. Kellen Eileen Kariuki, FCPA(K), MBS</b></p> <p>Kellen has been at Citibank N.A for 23 years, and has held several positions of senior leadership in the Bank. Citibank N.A is a subsidiary of Citigroup Inc.</p> <p>Kellen has held numerous Board positions such as the Chairperson of Citibank Tanzania Limited, Director AMREF International, Director Resolution Insurance Limited, Director in Citibank Uganda Limited, Chair of the Citibank Kenya Provident Fund, Director of Cititrust (Kenya) Limited, and Director Kenya Roads Board (KRB). She is a founding member of the Board of Advisors of the Strathmore Business School; and has served as an elected council member of ICPAK.</p> <p>Kellen was awarded "The Moran of the Order of the Burning Spear" (MBS) by the President of Kenya in December 2003.</p> <p>She was recognized by the Kenya Institute of Management as the "Professional Manager of the Year" during the Company of the Year Awards in 2003.</p> <p>Kellen has a degree in Accounting and MBA in Strategic Management from United States International University and an MSc in International Human Resource Management from Cranfield University in the UK. She is a Fellow of the Institute of Certified Public Accountants of Kenya.</p> |
|  | <p><b>Mr Parmain Ole Narikae – Non- Executive Director</b></p> <p>Mr Parmain ole Narikae holds a Masters in Business Administration and is a graduate of the European Institute of Business Administration (INSEAD). He has over 24 years of banking experience having previously served in various capacities in the Co-op Bank Group of Companies.</p> <p>He is currently the Director External and Regulatory Affairs at Chase Bank, with roles that include administrative co-ordination of the various functions towards the realization of Bank's objectives as well as the development of capabilities of personnel in the Bank. In addition, he is the Chairman of the Chase Group Foundation whose aim is to facilitate giving back to the nation by initiating various initiatives to develop various sectors of the Kenyan Society.</p>   |



|   |  |
|---|--|
|    | <p><b>Mr Gabriel K. Njenga – Non-Executive Director</b></p> <p>Mr. Karanja Njenga holds a Bachelor of Laws (LLB) from Sheffield University, Sheffield United Kingdom. He attained a Diploma in law from the Kenya School of Law in 1991 and has been an Advocate of the High Court of Kenya since 1993. He also holds a Specialized Honours Degree Bachelor of Arts (BA) in Political Science from York University, Toronto Canada. He is also a Certified Public Secretary.</p> <p>He is a founding Partner at Karanja-Njenga Advocates, a fully-fledged Corporate Commercial Law firm, established in 1993.</p>  |
|    | <p><b>Mr George Omino – Ag. Chief Executive Officer</b></p> <p>Mr. George Omino was the Acting CEO of UFAA until 2<sup>nd</sup> February 2015, having been seconded from the National Treasury where he is Deputy Director and Head of Financial Services Sector in Economic Affairs Department.</p> <p>Mr. Omino is a Financial Services expert and started his career at the Central Bank of Kenya in 1978, rising to the position of Assistant Director and Head of Microfinance Division in Bank Supervision Department. Mr. Omino has a wealth of experience in regulation and supervision of banks and other financial institutions, having been a bank examiner for over 20 years.</p> <p>He was a member of the Taskforce that developed the original draft Unclaimed Financial Assets legislation in 2008. He was also a member of the team that has developed the draft Unclaimed Financial Assets Regulations, 2014.</p> <p>Mr. Omino holds a Bachelor of Arts degree in Economics from the University of Nairobi and a Master's of Science degree in Finance from Strathclyde Business School in the United Kingdom.</p> |
|  | <p><b>Mr Vincent Kimutai Kimosop - Chairman, Non-Executive Director</b></p> <p>Mr Vincent Kimosop was the Chairman of the Unclaimed Financial Assets Authority until 24<sup>th</sup> October 2015. He currently serves as the Chief Executive Officer of the International Institute for Legislative Affairs (ILA). He holds a BA degree in Economics (Moi University) 2005 and MA International Studies (University of Nairobi) 2010. He also serves in boards of different institutions, among them the Governing Council of FOCUS Kenya; the East African Centre of Human Rights and the Kenya Christian Professionals Forum. He previously worked with Transparency International (Kenyan Chapter) and the Institute of Economic Affairs (IEA).</p>  |

|   |  |
|---|--|
|    | <p><b>Mr Abdikhani Abass - Non-Executive Director</b></p> <p>Mr Abass is currently the Managing Director of Interpet Investments Limited.</p> <p>He holds a Bachelor of Arts In Economics (Minor in Political Science).</p> <p>Mr. Abass has also served as Managing Director of various companies including Tecaflex Limited–Mombasa and Kifaru Commodities Limited - Nairobi.</p>                          |
|    | <p><b>Ms. Asha Ndisiyon Ngoley - Non-Executive Director</b></p> <p>Ms. Asha Ngoley is currently serving as Senior Finance Operations Manager at Kenya Red Cross Society since April 2006. She holds a Master of Science degree in Finance and a Bachelor of Commerce degree in Finance both from the University of Nairobi. She is a Certified Public Accountant (CPA-K).</p>                                |
|   | <p><b>Mr Charles M. Nduati - Non-Executive Director</b></p> <p>Mr Charles Nduati is an Insurance Professional who holds a Bachelor of Arts Degree in Financial Services and is an Associate of the Chartered Insurance Institute (ACII), London. He has extensive experience in the insurance industry spanning over 25 years. He is currently a General Manager at AON Kenya Insurance Brokers Limited.</p> |
|  | <p><b>Mr. Eric Barare Orina - Non-Executive Director</b></p> <p>Mr. Eric Orina is Chairman of Consumers of Financial Services Association and former member of the Media Council of Kenya.</p> <p>He was degazetted on 21<sup>st</sup> November 2014</p>   |



Unclaimed Financial Assets Authority  
Key Management  
For the year ended 30 June 2015

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|  |   |   |
|--|---|---|
| Mr. George Omino                           | Ag. Chief Executive Officer                   | Up to 2 <sup>nd</sup> February 2015               |
| <del>Mrs. Kellen Eileen Kariuki, MBS</del> | <del>Chief Executive Officer</del>            | <del>Appointed 2<sup>nd</sup> February 2015</del> |
| Mr. Godfrey Busolo                         | Manager, Administration and<br>Human Resource |   |
| Mrs. Nelly Awori Matheka                   | Corporation Secretary                         | Appointed 1 <sup>st</sup> April 2015              |
| Mr. John Kihara Mwangi                     | Manager, Unclaimed Assets                     | Appointed 7 <sup>th</sup> April 2015              |
| Mr. Francis Muchina                        | Manager, ICT                                  | Appointed 9 <sup>th</sup> April 2015              |
| Mr. Alex Musungu                           | Manager, Procurement                          | Appointed 4 <sup>th</sup> May 2015                |
| Mr. Henry Taabu                            | Manager, Finance                              | Appointed 16 <sup>th</sup> July 2015              |

Unclaimed Financial Assets Authority  
Chairman's Statement  
For the year ended 30 June 2015

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The year under review was an important period for the Unclaimed Financial Assets Authority (the "Authority") being its second budget year and considering the various structures that needed to have been in place for its operations. It was a good learning experience for all of us.

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The Authority was set up to enforce and generally administer the provisions of the Unclaimed Financial Assets Act, 2011 (the "Act"). In particular, to receive all payments required by the Act to be made to the Unclaimed Assets Trust Fund (the "Fund"); make payments out of the Fund to the rightful owners in accordance with the provisions of the Act; manage and invest the funds of the Authority; advise the Cabinet Secretary on national policy to be followed with regard to unclaimed assets; implement all Government policies related to it and perform such other functions as are conferred on it by the Act or other written law. Since the deployment of management staff from the National Treasury, the Authority has made some considerable progress in becoming fully operational. We have developed draft Unclaimed Financial Assets Regulations, secured office space, developed certain operational guidelines and advertised senior positions in the Authority, among other activities.

In September 2015, the Authority launched its strategic plan for the period 2014 - 2017 to guide its operations, including financial stewardship, service delivery for customer satisfaction, automation of operations, meeting statutory obligations, and ensuring that unclaimed financial assets are reunited with their rightful owners.

I wish to thank my fellow directors and the management team for their commitment and effort to make the Authority fully operational. I am sure that we will be able to meet public expectations of prompt service delivery, effective enforcement of the Act and regular consultation due to the rising standards of performance expected of us as a public institution.

  
.....  
JOSEPH K. KIGEN  
DIRECTOR  
UNCLAIMED FINANCIAL ASSETS AUTHORITY

Date 8/01/2016  
.....



Unclaimed Financial Assets Authority  
Report of the Chief Executive Officer  
For the year ended 30 June 2015

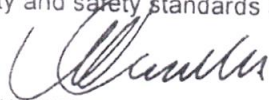
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The financial year 2014/15 was critical in setting up the Authority. During this year, the Authority undertook the following activities:

- Development of the Authority's Strategic Plan
- Issuance of 2 public notices to holders for surrender of unclaimed financial assets and subsequent receipt of these assets from the holders
- Holding of consultative meetings with strategic regulatory institutions with a view to ensuring compliance with the provisions of the Unclaimed Financial Assets Act
- Procurement of medical cover for Board members
- Procurement of medical, group life and personal accident cover for management staff
- Development of various policy documents including the Board Charter, the Human Resource Manual, training policy, budget policy, corruption prevention policy, transport policy, asset disposal policy and HIV and AIDS policy
- Recruitment of Senior Managers and other categories of staff
- Procurement of furniture and fittings
- Partitioning of the Authority's offices
- Procurement of office facilities and equipment and IT equipment

The Authority intends to, among others, undertake the following activities during the year 2015/2016

- Follow up on gazettelement of Unclaimed Financial Assets Regulations
- Hold a Public launching of the Authority's Strategic Plan
- Enhance awareness on the unclaimed financial assets regime for purposes of implementation of the Unclaimed Financial Assets Act
- Undertake business process mapping of the Authority's operations
- Develop and continuously monitor implementation of an Investment Policy Statement
- Conduct legal audit of other legislations that impact on the Unclaimed Financial Assets Act
- Sign Memorandum of Understanding (MoUs) with strategic partner institutions
- Start processing of claims in respect of unclaimed financial assets
- Review the organizational structure approved by the Board and the current roles, and propose for amendments, where necessary, including recruiting additional staff based on need
- Develop a resource mobilization strategy with a view to obtaining additional sources of revenue.
- Install an access control and biometric system at PACIS Centre premises in order to enhance security and safety standards at the premises



KELLEN EILEEN KARIUKI, MBS  
CHIEF EXECUTIVE OFFICER

Date: 21/01/2016

Members of the Board of Directors have committed themselves to the service of the Authority and to uphold the tenets of good corporate governance by being trustworthy, transparent and accountable persons of integrity and exercise fairness in all their dealings.

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### **Board Charter**

The Board Charter is a commitment by the members of the Board to discharge the mandate of the Authority. It seeks to ensure the effectiveness of each Director's contribution in the governance of the Authority by facilitating full and free exercise of independent judgment and professional competencies. It outlines the rules that guide the Board and does not in any way replace or supersede any laws and regulations that govern the Authority.

### **The Board**

The Board consists of six (6) non-executive members and the Chief Executive Officer. The terms of four (4) members of the Board, including the Chairman ended on 24<sup>th</sup> October 2015.

### **Board Responsibilities**

The independence of the Board of Directors from the Authority's Management is ensured by the separation of functions of the Chairman and Chief Executive Officer and a clear definition of their responsibilities. This helps in achieving an appropriate balance of power, increased accountability, improved capacity for decision-making and independence of management. The Board has been assigned a clear mandate and retains ultimate responsibility for the Authority's performance.

The Board takes the primary responsibility of determining the Authority's vision, mission and values; deciding the Authority's strategic objectives and key elements of governance processes underpinning operations of the Authority. It retains full and effective control over the Authority by monitoring Management in its implementation of plans and strategies, review of management accounts, and major capital investments and expenditure. The Board strives to act beyond the minimum requirements and benchmarks the Authority's performance against international best practice.

### **Board Committees**

The Board Committees facilitate decision-making to assist the Board in execution of its duties, powers and authority. However, delegation of authority to the committees does not in any way mitigate or dissipate the discharge by the Board of its duties and responsibilities. Board committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Board. The following three (3) committees have been set up:

#### **Finance and Human Resource Committee**

This committee assesses and advises on the integrity of the Authority's financial statements, financial plans and budgets. It reviews periodic financial performance, management accounts and the Authority's general financial health. It also advises the Board on the organizational structure, core functions and staff establishment. It provides guidance on Human Resource policies and makes recommendations that promote operational efficiency and capacity enhancement.

Up until 24<sup>th</sup> October 2014, it comprised of:

|                         |             |
|-------------------------|-------------|
| Ms Asha Ndisiyon Ngoley | Chairperson |
| Mr. Charles M. Nduati   | Member      |
| Mr. Daniel Mutua        | Member      |



The current members are:

|                         |          |
|-------------------------|----------|
| Mr. Parmain Ole Narikae | Chairman |
| Mr. Joseph K. Kigen     | Member   |
| Mr. Gabriel K. Njenga   | Member   |
| Mr. Daniel Mutua        | Member   |

#### **Risk and Audit Committee**

This committee reviews the scope and effectiveness of internal controls and management systems which guide and monitor financial and non-financial risks. It monitors the Authority's compliance with the code of conduct and ethics. It was responsible for setting up of the Internal Audit function, and will going forward receive internal audit reports, review independence, objectivity and effectiveness of external auditors.

Until 24<sup>th</sup> October 2015, it comprised of:

|                        |             |
|------------------------|-------------|
| Mr. Charles M. Nduati  | Chairperson |
| Mr. Abdikhani A. Abbas | Member      |
| Mr. Daniel Mutua       | Member      |

The current members are:

|                         |          |
|-------------------------|----------|
| Mr. Joseph K. Kigen     | Chairman |
| Mr. Parmain Ole Narikae | Member   |
| Mr. Gabriel K. Njenga   | Member   |
| Mr. Daniel Mutua        | Member   |

#### **Technical and Investment Committee**

The primary responsibility of the Technical and Investment Committee is to advise the Board on pertinent issues regarding the realization of the Authority's core mandate. The Committee advises the Board on the level of compliance with the provisions of the Unclaimed Financial Assets Act, 2011 and also advise the Board on proper management of records relating to unclaimed financial assets, including the establishment and maintenance of a reliable unclaimed financial assets database.

Until 24<sup>th</sup> October 2015, it comprised of:

|                        |             |
|------------------------|-------------|
| Mr. Abdikhani A. Abbas | Chairperson |
| Ms. Asha N. Ngoley     | Member      |
| Mr. Daniel Mutua       | Member      |

The current members are:

|                         |          |
|-------------------------|----------|
| Mr Joseph K. Kigen      | Chairman |
| Mr. Parmain Ole Narikae | Member   |
| Mr. Gabriel K. Njenga   | Member   |
| Mr. Daniel Mutua        | Member   |



The Authority's mission entails reuniting financial assets with rightful owners to ensure social prosperity and economic development. This is a vital social role that will be enhanced not only through re-uniting financial assets with rightful owners, but also putting in place social responsibility initiatives within the available resource constraints.

To date, the following initiatives have been put in place:

a. Job internship/attachment for fresh University graduates

The Board of Directors in recognizing the vital role that job placement plays in our society approved the provision of an allowance to staff engaged on industrial attachment. This not only enables the students who are engaged cater for their transport but also other basic needs.

During financial year 2014/15, the Authority provided internship opportunities to seven (7) fresh graduates from local universities so as to enable them gain work place environment exposure.

b. Affirmative action for persons with disabilities

The Authority recognizes the need for inclusivity and fair treatment of persons with disabilities. Towards this end, the Authority has continued to encourage maintenance of physical facilities that take care of the special needs of the physically challenged. The Authority also engaged an intern with albinism condition amongst the seven interns mentioned above.

The Directors submit their report together with the audited financial statements for the year ended 30 June 2015 which show the state of affairs of the Unclaimed Financial Assets Authority (UFAA / the "Authority").

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**Principal activities**

The principal activities of the Authority are to receive, safeguard and reunite unclaimed financial assets with rightful owners/beneficiaries.

**Results**

The surplus for the year of Shs 28,999,000 (2014: Shs 78,844,000) has been added to net reserves.

**Board of Directors**

The Directors who served during the year and up to the date of this report are listed on page 3.

**Auditor**

The Authority is audited by the Auditor General in accordance with the Section 81(4) of the Public Finance Management (PFM) Act, 2012.

By Order of the Board



Corporation Secretary

Date: 8/01/2016

Unclaimed Financial Assets Authority  
Statement of Directors' Responsibilities  
For the year ended 30 June 2015

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Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Unclaimed Financial Assets Authority (the "Authority"), which give a true and fair view of the state of affairs of the Authority at the end of the financial year and of the Authority's surplus or deficit. The Directors are also required to ensure that the Authority keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- (ii) Selecting and applying appropriate accounting policies; and
- (iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Authority at 30 June 2015 and of the Authority's financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and in a manner required by the Public Finance Management Act, 2012 and the State Corporations Act.

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



Director



Director (Chief Executive Officer)

Date: 8/01/2016





## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2015

#### REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Unclaimed Financial Assets Authority, set out on pages 17 to 37, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net reserves, statement of cash flows and statement of comparison of budget and actual cash amounts for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 39 of the Public Audit Act, 2003 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

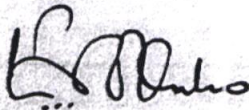
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the



~~auditor's judgement, including the assessment of the risks of material misstatement of~~  
the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Unclaimed Financial Assets Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Unclaimed Financial Assets Act, 2011.



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

Nairobi

05 May 2016

**Statement of financial performance**

|   | Notes | Year ended<br>30 June 2015<br>Shs'000 | Period ended<br>30 June 2014<br>Shs'000 |
|---|-------|---------------------------------------|---|
| <b>Revenue from non-exchange transactions</b> |       |                                       |   |
| Government grants - recurrent                 |       | 120,000                               | 95,000                                  |
| <b>Revenue from exchange transactions</b>     |       |                                       |   |
| Finance income                                | 3     | 3,249                                 | 613                                     |
| Other income                                  | 4     | 32                                    | -                                       |
| <b>Total revenue</b>                          |       | <b>123,281</b>                        | <b>95,613</b>                           |
| <b>Operating expenses</b>                     |       |                                       |   |
| Staff costs                                   | 5     | 38,318                                | -                                       |
| Board expenses                                | 6     | 5,324                                 | 5,452                                   |
| Administrative expenses                       | 7     | 32,151                                | 11,101                                  |
| Depreciation                                  | 11    | 18,489                                | 216                                     |
| <b>Total operating expenses</b>               |       | <b>94,282</b>                         | <b>16,769</b>                           |
| <b>Surplus for the year/period</b>            |       | <b>28,999</b>                         | <b>78,844</b>                           |

The notes on pages 22 to 36 are an integral part of these financial statements.

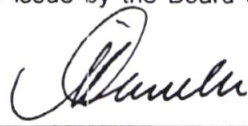


**Statement of financial position**

|   | Notes | 30 June<br>2015<br>Shs'000 | 30 June<br>2014<br>Shs'000 |
|---|-------|----------------------------|----------------------------|
| <b>ASSETS</b>                             |       |                            |                            |
| <b>Current assets</b>                     |       |                            |                            |
| Cash and cash equivalents                 | 8     | 62,198                     | 63,546                     |
| Receivables and prepayments               | 9     | 5,710                      | 2,800                      |
| Inventories                               | 10    | 889                        |                            |
|   |       | 68,797                     | 71,346                     |
| <b>Non current assets</b>                 |       |                            |                            |
| Motor vehicles and equipment              | 11    | 71,873                     | 7,698                      |
|   |       | 140,670                    | 79,044                     |
| <b>Total assets</b>                       |       |                            |                            |
| <b>Current liabilities</b>                |       |                            |                            |
| Payables, accruals and provisions         | 12    | 32,827                     | 200                        |
|   |       | 32,827                     | 200                        |
| <b>Total liabilities</b>                  |       |                            |                            |
| Net reserves                              |       | 107,843                    | 78,844                     |
|   |       | 140,670                    | 79,044                     |
| <b>Total net reserves and liabilities</b> |       |                            |                            |

The financial statements on pages 17 to 36 were approved for issue by the Board of Directors on 8/01/2016 and signed on its behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director (Chief Executive Officer)

**Statement of cash flows**

|  | Notes | Year ended<br>30 June 2015<br>Shs'000 | Period ended<br>30 June 2014<br>Shs'000 |
|--|-------|---------------------------------------|---|
| <b>Cash flows from operating activities</b>              |       |                                       |   |
| Surplus  |       | 28,999                                | 78,844                                  |
| Depreciation   | 11    | 18,489                                | 216                                     |
| Increase in receivables and prepayments                  |       | (2,910)                               | (2,800)                                 |
| Increase in inventories                                  |       | (889)                                 | -                                       |
| Increase in payables, accruals and provisions            |       | 32,627                                | 200                                     |
| <b>Net cash from operating activities</b>                |       | 76,316                                | 76,460                                  |
| <b>Cash flows from investing activities</b>              |       |                                       |   |
| Purchase of motor vehicles and equipment                 | 11    | (82,664)                              | (7,914)                                 |
| <b>Net cash used in investing activities</b>             |       | (82,664)                              | (7,914)                                 |
| (Decrease) / increase in cash and cash equivalents       |       | (6,348)                               | 68,546                                  |
| Cash and cash equivalents at start of year / period      |       | 68,546                                | -                                       |
| <b>Cash and cash equivalents at end of year / period</b> |       | 62,198                                | 68,546                                  |

The notes on pages 22 to 36 are an integral part of these financial statements.

**Statement of comparison of budget and actual cash amounts**

| Item                       | Approved budget<br>2014-15 | Adjustments      | Final budget<br>FY 2014-15 | Actual<br>FY 2014-15 | Performance<br>difference<br>FY 2014-15 |
|----------------------------|----------------------------|------------------|----------------------------|----------------------|---|
|                            | Shs'000                    | Shs'000          | Shs'000                    | Shs'000              | Shs'000                                 |
| <b>Revenue</b>             |                            |                  |                            |                      |   |
| Government grants          | 377,108                    | (257,108)        | 120,000                    | 120,000              | -                                       |
| Internal revenue           | -                          | 1,200            | 1,200                      | 3,249                | 2,049                                   |
| <b>Total income</b>        | <b>377,108</b>             | <b>(255,908)</b> | <b>121,200</b>             | <b>123,249</b>       | <b>2,049</b>                            |
| <b>Expenses</b>            |                            |                  |                            |                      |   |
| Compensation for employees | 85,157                     | (45,512)         | 39,645                     | 38,318               | 1,327                                   |
| Goods and services         | 105,585                    | (51,400)         | 54,185                     | 27,745               | 26,440                                  |
| Finance cost               | -                          | -                | -                          | -                    | -                                       |
| Rent paid                  | 12,866                     | 388              | 13,254                     | 13,254               | -                                       |
| Capital expenditure        | 173,500                    | (90,836)         | 82,664                     | 82,664               | -                                       |
| <b>Total expenditure</b>   | <b>377,108</b>             | <b>(187,360)</b> | <b>189,748</b>             | <b>161,981</b>       | <b>27,767</b>                           |

The notes on pages 22 to 36 are an integral part of these financial statements.



## Notes

### 1 Statement of compliance and basis of preparation – IPSAS 1

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Shs'000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

### 2 Summary of significant accounting policies

#### (a) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

###### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

##### ii) Revenue from exchange transactions – IPSAS 9

###### Interest income

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

#### (b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (c) Taxes – IAS 12

The Authority being a non-trading Authority is not subject to taxation. However, other taxes accruing from employees/ Directors are recovered through the payroll and remittances made to the tax authority as appropriate.

As at year-end, the Authority had applied for tax exemption status.

#### (d) Motor vehicles and equipment – IPSAS 17

All motor vehicles 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 motor vehicles and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the motor vehicles 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 on motor vehicles and equipment is recognized in the statement of financial performance on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:

|  |                      |
|--|----------------------|
| Motor vehicles, including motor cycles   | 4 Years              |
| Computers and related equipment          | 3 Years              |
| Office equipment, furniture and fittings | 8 Years              |
| Partitioning                             | Remaining lease term |

#### (e) Leases – IPSAS 13

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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (f) Inventories – IPSAS 12

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

For finished goods and work in progress, costs incurred in bringing each product to its present location and condition comprise cost of direct materials and labour but exclude borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

#### (g) Financial instruments – IPSAS 29

##### (i) Financial assets

##### Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as loans and receivables or held-to-maturity investments as appropriate. The Authority determines the classification of its financial assets at initial recognition.

##### Loans and receivables

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

##### Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.



## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (g) Financial instruments – IPSAS 29 (continued)

##### (i) Financial assets (continued)

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

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

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

##### (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 Authority 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.

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

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

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

#### (h) Provisions – IPSAS 19

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

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (h) Provisions – IPSAS 19 (continued)

##### *Contingent liabilities*

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

##### *Contingent assets*

The Authority 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 Authority 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.

#### (i) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority has a *Revenue Reserve* which consists of the surplus for the period.

#### (j) Changes in accounting policies and estimates – IPSAS 3

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

#### (k) Employee benefits – IPSAS 25

##### *Retirement benefit plans*

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

#### (l) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.



**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(m) Comparative figures**

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

In particular, the financial statements for the period ended 30 June 2014 included balances relating to the Unclaimed Assets Trust Fund (the "Fund").

In the current year, separate financial statements have been prepared for the Fund and corresponding adjustments have been made to the comparatives in these financial statements as in the table below:

|   | <b>Fund balances at 30 June<br/>2014 included in the financial<br/>statements of the Authority<br/>for the period ended<br/>30 June 2014</b> | <b>Fund balances at 30 June<br/>2014 included in the<br/>comparatives of the financial<br/>statements of the Authority<br/>for the year ended<br/>30 June 2015</b> |
|---|--|--|
|   | <b>Shs'000</b>   | <b>Shs'000</b>   |
| Fund cash balance included<br>in Cash and cash<br>equivalents | 348,754  | -  |
| Fund receipts   | 348,754  | -  |

**(n) Significant judgments and sources of estimation uncertainty – IPSAS 1**

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

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority 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 the Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

***Useful lives and residual values***

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

- The condition of the asset based on the assessment of experts employed by the Authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed



**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(n) Significant judgments and sources of estimation uncertainty – IPSAS 1 (continued)**

- Availability of funding to replace the asset
- Changes in the market in relation to the asset

*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 12.

**(o) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June, 2015.

|                                  | 2015<br>Shs'000 | 2014<br>Shs'000 |
|----------------------------------|-----------------|-----------------|
| <b>3 Finance income</b>          |                 |                 |
| Interest income on call deposit  | 3,249           | 613             |
| <b>4 Other income</b>            |                 |                 |
| Sale of tender documents         | 32              | -               |
| <b>5 Staff costs</b>             |                 |                 |
| Salaries and allowances          | 31,988          | -               |
| Staff gratuity                   | 6,330           | -               |
|                                  | 38,318          | -               |
| <b>6 Board expenses</b>          |                 |                 |
| Honoraria and sitting allowances | 4,260           | 5,051           |
| Administrative expenses          | 540             | 172             |
| Insurance                        | 246             | -               |
| Training                         | 278             | 229             |
|                                  | 5,324           | 5,452           |

**Notes (continued)**

|   | 2015<br>Shs'000 | 2014<br>Shs'000 |
|---|-----------------|-----------------|
| <b>7 Administrative expenses</b>          |                 |                 |
| Rent                                      | 10,588          | 2,652           |
| Consultancy expenses                      | 5,626           | 4,157           |
| Advertising                               | 2,992           | 2,000           |
| Conferences and stakeholders engagement   | 1,999           | -               |
| Workshops and Training Expenses           | 1,768           | 942             |
| Domestic travel                           | 1,629           | 68              |
| Audit fee                                 | 1,532           | 200             |
| Catering services                         | 1,255           | 429             |
| General office supplies (stationery)      | 944             | 176             |
| Supply of computer accessories            | 869             | -               |
| Telephone expenses                        | 782             | 66              |
| Internet connectivity                     | 577             | -               |
| Motor vehicle insurance                   | 497             | -               |
| Electricity                               | 283             | -               |
| Publishing and printing                   | 206             | 155             |
| General expenses                          | 156             | 36              |
| Contracted cleaning and security services | 147             | -               |
| Newspapers subscriptions                  | 140             | -               |
| Fuel and lubricants                       | 68              | -               |
| Repairs and maintenance                   | 46              | -               |
| Bank charges                              | 30              | 6               |
| Postal services                           | 9               | 3               |
| Water and sewerage                        | 8               | -               |
| Legal expenses                            | -               | 211             |
|   | <u>32,151</u>   | <u>11,101</u>   |
| <b>8 Cash and cash equivalents</b>        |                 |                 |
| Short term deposit                        | 44,000          | 44,000          |
| Cash in bank                              | 18,073          | 24,519          |
| Standing imprest                          | 80              | -               |
| Cash on hand                              | 45              | 27              |
|   | <u>62,198</u>   | <u>68,546</u>   |
| <b>9 Receivables and prepayments</b>      |                 |                 |
| Rent deposit                              | 2,800           | 2,800           |
| Prepaid rent                              | 2,656           | -               |
| Accrued interest income on call deposit   | 254             | -               |
|   | <u>5,710</u>    | <u>2,800</u>    |

**Notes (continued)**

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|                       | 2015<br>Shs'000 | 2014<br>Shs'000 |
|-----------------------|-----------------|-----------------|
| <b>10 Inventories</b> |                 |                 |
| Office stationery     | 577             | -               |
| ICT Consumables       | 312             | -               |
|                       | <hr/>           | <hr/>           |
|                       | 889             | -               |
|                       | <hr/>           | <hr/>           |



**11 Motor vehicles and equipment**

|                                  | <b>Motor<br/>vehicles<br/>Shs'000</b> | <b>Computers<br/>and<br/>printers<br/>Shs'000</b> | <b>Fixtures<br/>and<br/>fittings<br/>Shs'000</b> | <b>Furniture<br/>Shs'000</b> | <b>Total<br/>Shs'000</b> |
|----------------------------------|---------------------------------------|---|--|------------------------------|--------------------------|
| <b>Period ended 30 June 2014</b> |                                       |   |  |                              |                          |
| <b>Cost</b>                      |                                       |   |  |                              |                          |
| At start of period               | -                                     | -   | -  | -                            | -                        |
| Additions                        | 7,104                                 | 810   | -  | -                            | 7,914                    |
| At end of period                 | 7,104                                 | 810   | -  | -                            | 7,914                    |
| <b>Accumulated depreciation</b>  |                                       |   |  |                              |                          |
| At start of period               | -                                     | -   | -  | -                            | -                        |
| Charge for the period            | 148                                   | 68  | -  | -                            | 216                      |
| At end of period                 | 148                                   | 68  | -  | -                            | 216                      |
| Net Book Value at end of period  | 6,956                                 | 742   | -  | -                            | 7,698                    |
| <b>Year ended 30 June 2015</b>   |                                       |   |  |                              |                          |
| <b>Cost</b>                      |                                       |   |  |                              |                          |
| At start of year                 | 7,104                                 | 810   | -  | -                            | 7,914                    |
| Additions                        | 9,196                                 | 10,448  | 52,809   | 10,211                       | 82,664                   |
| At end of year                   | 16,300                                | 11,258  | 52,809   | 10,211                       | 90,578                   |
| <b>Accumulated depreciation</b>  |                                       |   |  |                              |                          |
| At start of year                 | 148                                   | 68  | -  | -                            | 216                      |
| Charge for the year              | 4,075                                 | 3,715   | 9,882  | 817                          | 18,489                   |
| At end of year                   | 4,223                                 | 3,783   | 9,882  | 817                          | 18,705                   |
| Net Book Value at end of year    | 12,077                                | 7,475   | 42,927   | 9,394                        | 71,873                   |

**Notes (continued)**

|   | 2015<br>Shs'000 | 2014<br>Shs'000 |
|---|-----------------|-----------------|
| <b>12 Payables, accruals and provisions</b> |                 |                 |
| Pluton ICT Ltd                              | 11,488          | -               |
| Staff gratuity                              | 6,330           | -               |
| Fine Tops Enterprises                       | 4,132           | -               |
| Infologix Kenya Limited                     | 3,022           | -               |
| African Management Solutions                | 2,800           | -               |
| Interscope Logistics Limited                | 1,617           | -               |
| Provision for audit fees                    | 1,500           | 200             |
| Insurance Training and Trust                | 540             | -               |
| The National Treasury                       | 375             | -               |
| Tin Tin Restaurant Limited                  | 243             | -               |
| The Standard Group Limited                  | 210             | -               |
| Nation Media Group Limited                  | 209             | -               |
| AON Kenya Insurance Brokers                 | 176             | -               |
| Transcend systems (EA) Limited              | 107             | -               |
| Knight Frank Pacis Account (Electricity)    | 45              | -               |
| LVCT Health                                 | 30              | -               |
| Telkom Kenya Limited                        | 3               | -               |
|   | 32,827          | 200             |

The audit fee for the current year includes the amount payable to PricewaterhouseCoopers Kenya who were appointed in the year following a competitive bidding process.

**13 Related party transactions**

In the course of its operations, the Authority enters into transactions with related parties which include organisations that are related to the Authority through the Government of Kenya.

The grant provided by the Government of Kenya to fund the operations of the Authority is disclosed in the Statement of financial performance.

The National Treasury, which is the parent ministry of the Authority, seconded eleven (11) staff to the Authority, including the Acting CEO. The terms of the seconded staff ended on 31<sup>st</sup> October 2015. Four (4) of the staff, including the Acting CEO have since been recalled to the National Treasury and recruitment to replace the remaining staff is ongoing.

**Key management personnel**

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, are the members of the Board, who together constitute the governing body of the Authority.

Board expenses are disclosed in Note 6.

**Unclaimed Assets Trust Fund (UATF)**

The Authority and its Chief Executive Officer act as Trustee and Managing Trustee, respectively, of the Unclaimed Assets Trust Fund (the "Fund") which was effectively created with the gazettelement of the Unclaimed Financial Assets Act, No. 40 of 2011. Expenses of the Fund are borne by the Authority. Separate financial statements have been prepared for the Fund.

## Notes (continued)

### 14 Financial risk management objectives and policies

The Authority's activities expose it to a variety of financial risks, mainly, credit risk, liquidity risk and the effects of changes in interest rates. The Authority's overall risk management programme seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the various departments of the Authority under policies approved by the Board of Directors.

#### (a) Risks facing the Authority

The following are the main types of risks that the Authority is exposed to in the course of executing its operations:

- Financial risks include:
  - Credit risk
  - Market risk
    - Interest rate risk
  - Liquidity risk
- Non-financial risks include:
  - Operational risk
  - Human resource risk
  - Legal risk
  - Reputation risk

The Authority was not exposed to foreign exchange risk at the statement of financial position date as its transactions are in Kenya Shillings.

#### i. Credit risk

Credit risk is the risk of financial loss to the Authority if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from bank balances and other receivable balances.

Management of the credit risk is through the choice of depository banks. The Authority's choice of depository banks is confined to top local and international banks that meet the set eligibility criteria of financial soundness. Therefore, the Authority does not consider there to be any significant exposure to credit risk.

The maximum exposure to credit risk as at 30 June was:

|   | 2015<br>Shs'000 | 2014<br>Shs'000 |
|---|-----------------|-----------------|
| <b>Cash and cash equivalents (Note 8)</b> |                 |                 |
| Short term deposit                        | 44,000          | 44,000          |
| Cash in bank                              | 18,073          | 24,519          |
| <b>Receivables (Note 9)</b>               |                 |                 |
| Rent deposit                              | 2,800           | 2,800           |
| Accrued interest income on call deposit   | 254             | -               |
|   | 65,127          | 71,319          |
|   | 65,127          | 71,319          |

There were no past due or impaired balances at 30 June 2015 (2014: nil).



**Notes (continued)**

**14 Financial risk management objectives and policies (continued)**

**ii. Market risk**

Market risk is the risk of changes in market prices, in particular interest rates, affecting the Authority's income.

Interest rate risk

The Authority's interest rate risk arises from interest bearing call deposits held with commercial banks.

At 30 June 2015, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs 440,000 (2014: Shs 64,500).

**iii. Liquidity risk**

Liquidity risk is the risk of the Authority not being able to meet its obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts and maintenance of deposits that are available on call.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

|                                   | On demand | 1 – 3 months | 3-12 months | 1 - 5 years | Total   |
|-----------------------------------|-----------|--------------|-------------|-------------|---------|
|                                   | Shs'000   | Shs'000      | Shs'000     | Shs'000     | Shs'000 |
| <b>At 30 June 2015</b>            |           |              |             |             |         |
| Payables, accruals and provisions | 32,827    | -            | -           | -           | 32,827  |
| <b>At 30 June 2014</b>            |           |              |             |             |         |
| Payables, accruals and provisions | 200       | -            | -           | -           | 200     |

## Notes (continued)

### 14 Financial risk management objectives and policies (continued)

#### (b) Fair value of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits and receivable balances approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Authority uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Techniques which use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Authority did not measure any financial instruments at fair value at 30 June 2015 (2014: Nil).

## Notes (continued)

### 15 Variance between budgeted and actual expenditure

The variance between budgeted expenditure and actual expenditure for goods and services as per page 21 was as a result of activities planned for FY 2014/15 but which were not carried out due to delays in approval or delays in conclusion of the procurement process. These are:

- a. **Medical Cover, Shs 6.5 million:** This was to cater for procurement of Medical cover for staff and Directors. Due to the long procurement process, the contract for this was finalized on 7<sup>th</sup> July 2015 and the amount utilized.
- b. **Strategic Plan Launch, Shs 8 million:** This was the budgeted amount for the activities to be done during the UFAA Strategic Plan launch that was planned for 28<sup>th</sup> June 2015. Due to unforeseen circumstances, the Cabinet Secretary National Treasury, who was the Chief Guest was unavailable hence the event was scheduled and held in September 2015.
- c. **Capacity Building, Shs 12.5 million:** Given Unclaimed Assets is a new regime in Africa, the Board planned a Benchmarking trip budgeted at Shs 12.5 million, to other jurisdictions in the world that manage a similar entity. Due to delays in approval at the National Treasury, this activity was conducted from mid-July 2015.



**Progress on follow up on Auditor Recommendations**

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The Auditor recommended the preparation of separate financial statements for the Unclaimed Assets Trust Fund and the Unclaimed Financial Assets Authority which has been adopted in this financial year.