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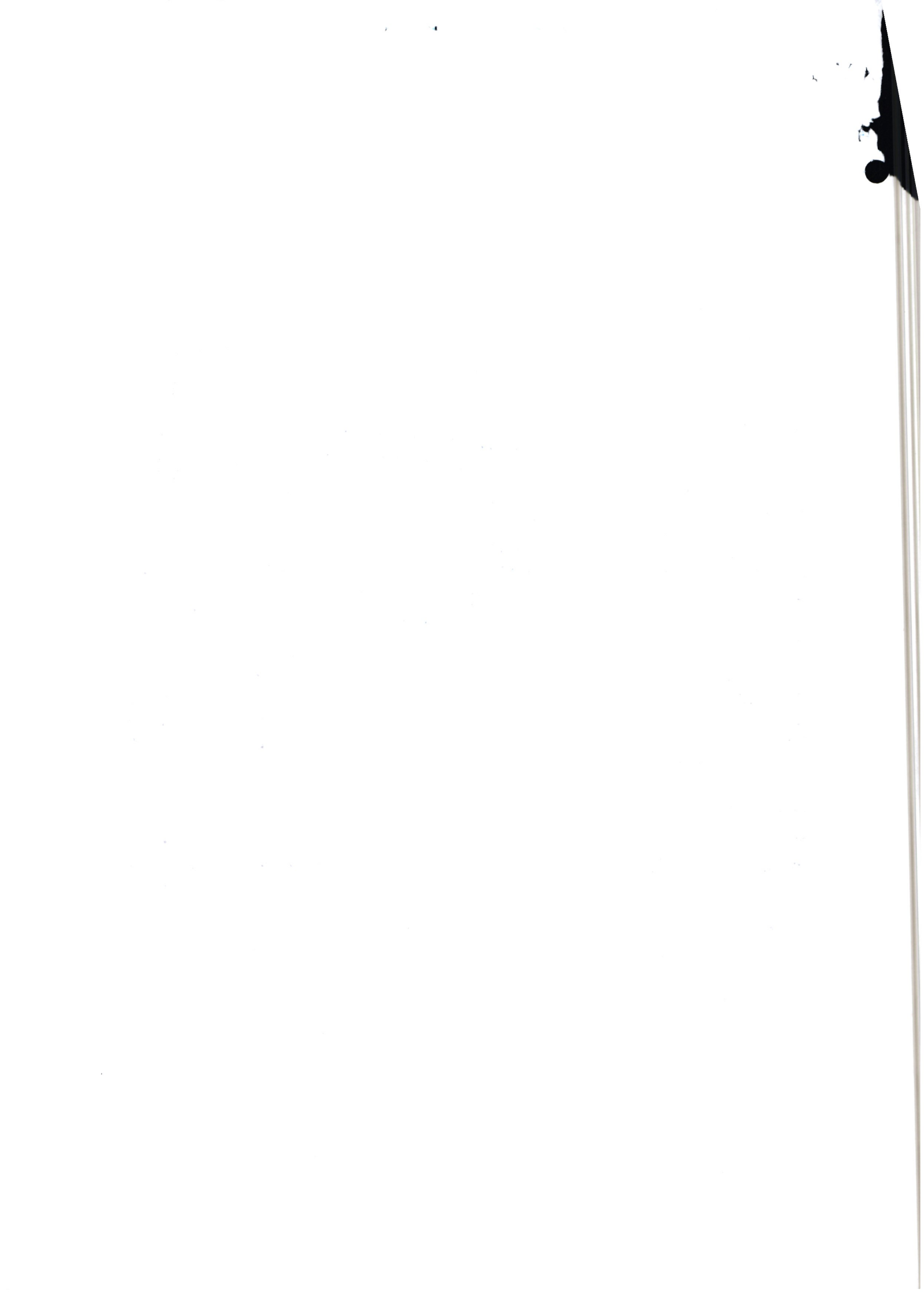
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THE NATIONAL ASSEMBLY PAPERS LAID	
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THE AUDITOR-GENERAL

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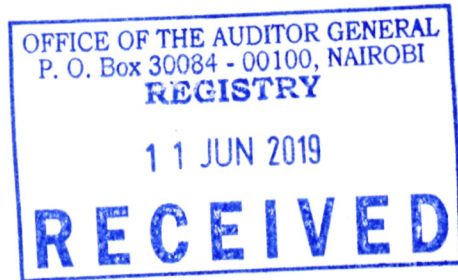
THE FINANCIAL STATEMENTS OF
ANTI-COUNTERFEIT AGENCY

FOR THE YEAR
ENDED 30 JUNE 2018





**anti
counterfeit
agency**



ANTI-COUNTERFEIT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

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I. KEY AGENCY INFORMATION AND MANAGEMENT

(a) Background information

The Anti-Counterfeit Agency was established under Section 3 of the Anti-Counterfeit Act No. 13 of 2008 as a corporate body under the State Corporations Act, Chapter 446 of the Laws of Kenya.

The Agency falls within the Ministry of Industry, Trade and Cooperatives that is mandated to provide a policy framework and an enabling environment for industrialization, trade and cooperative development in Kenya. The Agency is expected to play a key role in the realization of the Big “4” agenda through promoting genuine products in manufacturing, fertilizers, seeds, medicine and construction materials.

(b) Principal Activities

The principal mandate of the Agency is to enlighten and inform the public on matters relating to counterfeiting; combat counterfeiting, trade and other dealings in counterfeit goods in Kenya in accordance with the Anti-Counterfeit Act 2008 or any other written law; devise and promote training programs to combat counterfeiting; and co-ordinate with national, regional or international organizations involved in combating counterfeiting.

The Vision of the Agency is “A counterfeit-free Kenya”, while its Mission is “To Prohibit Counterfeiting through the Promotion and Enforcement of Intellectual Property Rights”.

(c) Key Management

The Agency’s day-to-day management is under the following key organs:

- Board of Directors
- Executive Director
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Executive Director	Mr. Elema Halake
2.	Deputy Director Enforcement & Legal Services	Mr. Johnson Adera
3.	Deputy Director Awareness, Research, Policy & Quality Assurance	Dr. John Akoten
4.	Deputy Director Corporate Services	Ms. Fridah Kaberia
5.	Manager, Planning and Quality Assurance	Michael Aremon
6.	Manager, Education and Public Awareness	Agnes Karingu
7.	Manager, Research, Strategy and Policy	Elijah Ruttoh
8.	Manager, Enforcement	Lindsay Kipkemoi
9.	Ag. Manager, Finance and Accounts	Rephah Kitavi

(e) Fiduciary Oversight Arrangements

In order to fulfil its Fiduciary Oversight Arrangements, the Board has set up 3 (three) principal Committees which sets forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedure for appointment and removal and committee reporting to the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities. These are:

Audit and Risk Management Committee;

The Audit and Risk Management Committee is appointed by and shall act at the direction of the Board, to review policy papers and make recommendations on the functions delegated to them.

Members of the committee include:

- i. Phyllis Wakiaga (Chair)
- ii. Col. James Wahome Kariuki
- iii. Michael Onyancha
- iv. Charles Ongwae

The terms of reference of the Audit and Risk Management Committee shall be to assist the Board in the oversight of:-

- i. The integrity of the financial statements of the Agency.
- ii. The review of the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- iii. The review of the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary.
- iv. The internal and external auditor's qualifications and independence.
- v. The performance of the Agency's internal audit function and the external independent auditors.
- vi. The compliance by the Agency with legal and regulatory requirements.
- vii. The effective management by the Agency of financial and non-financial risks.
- viii. The maintenance of an effective and efficient risk management capability by the Agency.

Human Resource, Finance and General Purposes Committee;

The Human Resource, Finance and General Purposes Committee is appointed by and shall act at the direction of the Board, to review policy papers and make recommendations on the functions delegated to them. The terms of reference of the Committee shall be:-

Members of the committee include:

- i. Joel Bett
- ii. Emmanuel Bitta
- iii. Michael Onyancha

Finance Matters:-

- i. To Review and make recommendations to the Board on the financial strategy of the Agency ensuring its adequacy and soundness in providing for the Agency's current operations and long-term stability.
- ii. To review, discuss and make recommendations to the Board concerning significant financial planning, management and reporting issues of the Agency.
- iii. To review and make recommendations to the Board on financial issues arising from the annual financial statements of the Agency.
- iv. To Review and discuss the Agency's procurement procedures to ensure that they are effective and in accordance with legal and regulatory requirements for the time being in force.
- v. To support the Agency in the achievement of procurement plans.
- vi. To monitor and review the managements' strategy toward ensuring efficiency and integrity of the Agency's procurement systems.
- vii. Perform such other duties and responsibilities as may be assigned to the Committee by the Board of Directors from time to time.

Human Resource Matters:-

- i. Review the Agency's executive remuneration strategy to ensure that management is rewarded appropriately for its contributions to Agency growth and that the executive remuneration strategy supports organization objectives and stakeholder interests.
- ii. Review the overall remuneration policy for all employees of the Agency and recommend to the Board of Directors the amendment and administration of incentive and other remuneration plans for the employees (including allowances, retirement and other benefits).
- iii. Review the corporate goals and objectives relevant to the performance of the management, including an annual review of their performance in light of these goals and objectives.
- iv. Review the organization structure of the Agency and ensure it is manned by staff with the relevant skills and experience, and recruitment for management positions is competitive whether internally or externally.
- v. Review and monitor the performance of the Agency as it affects employees, including, but not limited to, issues such as gender sensitivity and morale.
- vi. Review and recommend to the Board of Directors any employment or severance agreement with executive officers.
- vii. Monitor the Agency's management succession plan and implementation of succession strategies adapted by the Board of Directors.
- viii. Perform or delegate to the management, the review and monitoring of the trustee functions of the Agency with respect to the employee pension or welfare benefit scheme sponsored by the Agency.

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- ix. Consult with management on major policies affecting employee relations and welfare of the staff of the Agency.

Technical Committee;

The Technical Committee is appointed by and shall act at the direction of the Board, to review policy papers and make recommendations on the functions delegated to them.

Members of the committee include:

- i. Charles Ongwae
- ii. Joel Bett
- iii. Col. James Wahome Kariuki
- iv. Phyllis Wakiaga

The purpose of the Technical Committee shall be to:-

- i. Review the fundamental technical basis of the Agency's operations in order to enable the Board of Directors to make informed, strategic operational decisions and vote on related matters.
- ii. Ensure that in all recommendations from the management, world-class standards are developed, practiced and leveraged throughout the Agency to create stakeholder value and ensure that statutory mandates are effectively fulfilled.
- iii. Review and monitor the Agency's research and development reports.
- iv. Review and monitor operational strategy based on current social, economic and political factors.
- v. Review technology systems as well as major investments in new operational models, partnerships and alliances.
- vi. Review issues affecting the acceptance of the Agency's policy prescriptions by government and other stakeholders.
- vii. Review significant emerging issues, policy briefs and regulatory improvements.
- viii. Review all proposals made to or by the Agency for amendments to the Act and Regulations and make appropriate recommendations to the Board of Directors.

(f) Headquarters

P.O. Box 47771 - 00100
National Water Conservation & Pipeline Corporation Building,
3rd Floor,
Dunga Road,
Nairobi, Kenya

(g) Contacts

Telephone: (+254)-(0)20-2280000
E-mail: info@aca.go.ke
Website: www.aca.go.ke

(h) Bankers

Kenya Commercial Bank
Kipande House Branch
P.O. Box 30012 – 00100
Nairobi – Kenya



(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS
 The Board of Directors of the Agency are:

 <p>Ms. Flora Mutahi Chairperson, Board of Directors (From 12th July, 2018)</p>	<p>Date of Birth: 05/06/1967</p> <p>Ms. Flora Mutahi has a long stunning career in the Manufacturing Industry with over 20 years' experience. She holds an MBA from the University of Cape Town. She is the Founder and CEO of Melvins Marsh International Ltd, a household brand which has received several awards and also owns a real estate company AZIZI Realtors Limited which deals in sales, rentals and property management. Ms. Mutahi was the former Chair of the Kenya Association of Manufacturers (KAM) board and is also a member of other boards including Jubilee Kenya Ltd and Kenya Private Sector Alliance. She is greatly involved in supporting and empowering women in business through mentorship programs and talks and overall community development activities.</p>
 <p>Mr Pradeep Paurana Chairman, Board of Directors (October 2016 – 11th July 2018)</p>	<p>Date of Birth: 12/07/1959</p> <p>Mr. Paurana has a long stunning career in the Manufacturing Industry with over 30 years working with Athi River Mining (ARM). He holds an MBA from the NYU Stern School of Business. Pradeep plays an active role in several policy and advocacy institutions, and has chaired and participated in government task forces in the energy, environment and agriculture sectors. In the past, He has been Chairman of the Kenya Association of Manufacturers, Director of The Kenya Private Sector Alliance, Executive Committee member of East African Business Council, Chairman Nairobi National Park Greenline Trust, and a trustee of Tree Biotechnology Program.</p>



Mr. Elema Halake
Executive Director

Date of Birth: 1972

Mr. Halake has a long stunning career in public service working in various capacities in Kenya. He has vast experience in law enforcement coordination at National, Regional and International levels. He has served previously as the Vice chair for Interpol Wildlife Working group, in the Environmental program as well as the Chair of the East-African Wildlife cross border forums. He has also represented and been part of National delegations to various International and regional conferences and Foras' including CITES, Interpol, EARPPCO, Lusaka Agreement, cross border forums besides the National collaborations and Co - operations with key state and non-state actors. He has also been on the Board of Kenya School of Adventure, Mt. Kenya.

Before his current appointment to the position of Executive Director Anti-counterfeit Agency, he was a Director at the Independent policing Oversight Authority (IPOA). He also served at Kenya Wildlife Service at the rank of Senior Assistant Director. He has travelled for work, trainings and conferences within Africa, United Kingdom and to America, France, Brazil, Asia and Israel amongst other countries. Halake was decorated with Silver Star (SS) of Kenya medal by his Excellency, The President of the Republic of Kenya in 2006 for his courage and commitment to duty.

He holds a bachelor of arts' and master's degree in development studies from the Catholic University of Eastern Africa. He has also a graduate certificate in criminal justice, USA.

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Mr. Charles Ongwae
MD, Kenya Bureau of Standards (KEBS)

Date of Birth: 01/01/1960

He is a holder of Bachelor of Commerce (Accounting option) degree and a Masters of Business Administration in Strategic Management from the University of Nairobi. He is a qualified Accountant with CPA (K). He is currently the Managing Director Kenya Bureau of Standards (KEBS). Previously, he worked as the Managing Director Barclays Bank of Uganda.



Ms. Phyllis Wakiaga
CEO, Kenya Association of Manufacturers

Date of Birth: 1/12/1981

She is a holder of Masters in Business Administration, Higher Diploma in Human Resource, Diploma in Law and Bachelor of Law Degree from the University of Nairobi. She is currently the CEO of Kenya Association of Manufacturers (KAM). Previously, she held the position of Head of Policy Research and Advocacy in the same institution



Mr. Joel Bett
National Treasury

Date of Birth: 27/03/1978

He is a holder of Masters in Economics and Bachelor of Economics both from the University of Nairobi. He is currently the Principal Economist at the National Treasury and was previously the senior Economist at the Ministry of Industrialization and Enterprise Developments.



Colonel James Wahome Kariuki
 Kenya Revenue Authority
 (28th June, 2016 to 28th May, 2018)

Date of Birth: 16/04/1962

He is a holder of Master of Strategic Studies from Air University, United States of America. He has undergone various training courses and workshops for pilots and defence. He is currently the Deputy Commissioner Border Control with the Kenya Revenue Authority. Previously, he worked as a Colonel in charge of operations at Airforce and Defence Headquarters.



Mr. Emmanuel Bitta
 Office of Attorney General

Date of Birth: 29/07/1977

He is a holder of Bachelor of Laws degree from Bangalore University, holds post graduate Diploma in Law from Kenya School of Law. He is currently the Senior Principal State Counsel; Head of Judicial Review and Public Procurement Section; Head of Commercial & Arbitration Section. Previously, he worked in the Civil Litigation Department in the office of Attorney General rising through the ranks from State Counsel II, State Counsel I, Senior State Counsel and Principal State Counsel.






Mr Michael N. Onyancha
 Weights and Measures Kenya

Date of Birth: 01/01/1960

He is a holder of Bachelor of Education (Mathematics), Masters and PhD all from the University of Nairobi. He has worked in government for over 12 years and is currently the Director Weights and Measures, Kenya. He has also served as a Deputy Director in charge of Enforcement and Training and in a previous capacity as an Assistant Director in charge of Budget and Prosecutions.

III. MANAGEMENT TEAM

The management team is comprised of the following:

 <p>Mr. Elema Halake; MA(Development Studies), BA</p>	<p>The Executive Director</p>
 <p>Dr. John Akoten; PhD, MSc, BSc</p>	<p>Dr John Akoten is the Deputy Director Awareness, Research, Policy and Quality Assurance.</p>
 <p>Mr. Johnson Adera; LLM, LLB, CS-K</p>	<p>Mr Adera is the Deputy Director Enforcement & Legal Services.</p>

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Ms. Fridah Kaberia; MBA, BA (Econ),
CPA(K)
ICPAK No: 11559

Ms. Kaberia is the Deputy Director Corporate Services



Mrs. Agnes Karingu; MBA, BSc

Mrs. Karingu is the Manager Education and Public Awareness.



Mr. Michael Aremon; B.Com, CISA


Mr Aremon is the Manager Policy and Quality Assurance.



Mr. Elijah Ruttoh; M Econ, B.Ed

Mr Ruttoh is the Manager Research

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 <p>Ms. Rephah Kitavi; Msc Finance, BA (Econ), CPA (K), CISA</p>	<p>Ms. Kitavi is the Ag. Manager Finance & Accounts (from 1st August, 2018)</p>

IV. CHAIRPERSON'S STATEMENT

The Anti-Counterfeit Agency presents the Annual report and Financial Statements for the financial year ended June 30, 2018 which documents the accomplishments and challenges towards execution of our strategies in the same period. Counterfeiting still remains a big challenge in our country and in pursuit of the fulfilment of our mandate as established by law and policy to prohibit trade in counterfeit goods and sensitise the public on matters relating to counterfeiting, I am pleased to report that we are working hard to build a robust Intellectual Property crime-fighting institution in the country. We are using a multi-faceted approach ranging from enhancing our collaboration, enforcement operations and consumer focused strategies in the fight against counterfeits.

We have enhanced our regional and international collaboration with Governments and bodies fighting trade in counterfeits. In the year of reporting, we participated in regional advocacy programs in the East African Region like the design and formulation of the East African Anti-Counterfeit Bill that is anchored on the Kenyan Anti-Counterfeit Act, the signing of a Memorandum of understanding with the fair trade commission of Tanzania and high level advocacy to Ugandan Parliament for enactment of their Anti-Counterfeit Act. All these are geared towards a harmonized regional IP system. We continued our global partnerships with Interpol, Business Action to Stop Counterfeits and Piracy (BASCAP), World Intellectual Property Organizations (WIPO) among others. We also have partnership with foreign Embassies based in the country notably the US Embassy, the British High Commission, The Chinese Embassy, The French Embassy, and The Indian High Commission among others. The partnerships are in areas of capacity building, bench marking by training our enforcement officers and public awareness.

The mandate of the Agency calls for a collaborative task towards fighting counterfeits. Our work would not be possible without the coordination and cooperation of various government ministries and agencies like the Ministry of Interior, Kenya Police, Ports Authorities, Kenya Bureau of Standards, and Kenya Revenue Authority's Customs Department among other Agencies.

During the year under review, the Agency collaborated with several enforcement agencies. Inter-agency committees on illicit trade were formed in which the Agency took an active role. These committees include the Ministerial committee on dumping, adulteration and LPG Illegal activities, Inter-agency taskforce on control of potable spirit and combat of illicit brews, and Border control and operations coordination committee. We also witnessed other key outputs like the closure of 115 firms engaging in the production and sale of illicit alcoholic drinks, setting up of operational inter-agency committees in key entry and exit points in different parts of the country, seizure of counterfeit goods and prosecution of the suspects.

On Enforcement operations, the Agency has been involved in busting counterfeit trade across the country targeting externally produced goods as well as domestically counterfeits goods. The Agency also proposed to strengthen its legislation by proposing several amendments to the Anti-counterfeit Act, 2014. On capacity building and public awareness, The Board approved the public awareness manual and training of trainers program. The program aims at enhancing the capacity of officers from

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government agencies as well as the county governments on intellectual property issues. The Agency also carried out border activities particularly border enforcement and awareness activities in Namanga and Busia. We have also had partnership in sponsorship of themed events and media coverage to empower consumers to make more informed decisions against buying counterfeits.

On corporate governance, the Board continues to strengthen its boardroom capabilities and giving policy direction under the guidance of Mwongozo, the code of governance for state corporations. Under the Anti-Counterfeit Act, the affairs of the Agency and the implementation of the Agency's strategy are overseen by the Board. I would like to thank our members for their contribution over the past year. The Agency has benefited from their skills and experience at both an individual capacity and Board level.

Financial challenges have impacted negatively on the Agency's endeavour to expand its programs and to recruit the needed human resources. Some of the challenges have been compounded by the government's endeavour to restrict recruitment in order to tame the ever ballooning public wage bill. To-date, the Agency has only achieved to employ 75 employees out of a required 250. This represents 30% of its human resource needs due to budgetary constraints. It is for this reason that the Agency is not present in most of the key entry points of counterfeit goods. However, I wish to thank the National Treasury and the Parent Ministry for the additional resources of Kshs. 150 million that it received during the year as supplementary budget II.

Finally, we are confident that the ACA's financial and performance data are complete, reliable, accurate, and consistent as we improve our ability to measure progress towards our performance goals.

On behalf of the Board of Directors and Management, I wish to extend my appreciation to all our stakeholders and development partners in collaborating and engaging with the Agency in the war against counterfeits. I also extend my appreciation to the exceptional manner in which ACA employees rose to the challenge; this Agency is poised for even greater achievements to come in the years ahead.

Ms. Flora Mutahi
Chairperson of the Board

Date:  6/06/2019

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Introduction

The Agency is a State Corporation established by the Anti-Counterfeit Act, 2008. It falls under the State Department of Trade in the Ministry of Industry, Trade and Co-operatives. The overall mandate of the Agency is facilitating fair trade practices by combating counterfeiting. In so doing, it contributes to the achievements of the Ministry through promotion of foreign direct investments and increase competitiveness in the Kenyan market.

The Agency came into operation in June 2010 with a current staff establishment of 75 employees, which is only 30% of the desired staff establishment. Subject to the necessary approvals from government, the Agency intends to increase this number progressively to 250 by 2022.

Corporate strategy

The Agency's second strategic plan, 2017-2022, emphasizes on the Agency's vision of a counterfeit-free Kenya through the enforcement and promotion of intellectual property rights. This strategy has identified four key result areas: enforcement, awareness, research and institutional capacity.

In carrying out our duties, we intend to pull all our efforts together towards contributing effectively and efficiently to the achievement of the "Big 4" agenda, the national development agenda as espoused in the Kenya Vision 2030, Medium Term Plan III, Sector Performance Standards and Sustainable Development Goals keeping in mind the specific priorities of the Anti-Counterfeit Agency.

Broadly, the Agency aims to deal with counterfeiting in two ways. First, by suppressing the supply side of counterfeiting through active enforcement and collaborations with relevant stakeholders. Second, by suppressing the demand for counterfeit goods by creating awareness on matters of counterfeiting. The Agency is also focused on bringing services closer to the public by ensuring high level of service delivery in all its regional offices across the country.

Enforcement activities

The following were the achievements regarding enforcement activities for the Financial Year 2017/2018;

Description	Achievement
File Intellectual Property Rights complaints (No. of cases)	172
Investigate Intellectual Property Rights infringement (No. of cases)	133
Consumer Complaints	329
Prosecute suspected counterfeiters (No. of cases)	32
Approximate value of goods seized (Kshs, million)	388.7
Approximate value of goods destroyed (Kshs, million)	62.9

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Research and Awareness Department:

The department concluded research report on the level of counterfeiting and the level of public awareness on counterfeiting in selected towns in Kenya.

The department conducted programs targeting selected stakeholders at the Busia border point which included consumers, community leaders, women groups, matatu operators and business people. In addition, the Agency held stakeholders consultative forum at the Boma Hotel to discuss the proposed amendments on ACA Act review. The Agency participated in World Intellectual Property day conference which was organised by KIPI and KECOBO.

National Authority for the Campaign against Alcohol and Drug Abuse (NACADA) invited the Agency to be a part of the Kitui and Makeni counties inter- agency committee meetings and forums in an effort to consolidate the gains made following months of the rapid results initiative. Finally the Agency marked the annual World Anti Counterfeit Day with the participation of stakeholders.

Budgetary Allocations


The following table shows the budgetary allocation from the Exchequer over the years.

S/No	Financial Year	Recurrent (Kshs)	Development (Kshs)
1	2010/2011	202,000,000	-
2	2011/2012	200,067,816	-
3	2012/2013	172,951,200	36,000,000
4	2013/2014	172,051,200	59,875,000
5	2014/2015	158,600,000	20,000,000
6	2015/2016	237,352,500	56,250,000
7	2016/2017	225,402,000	12,500,000
8	2017/2018	395,402,000	-
9	2018/2019	382,494,322	50,000,000

Constraints and challenges;

In many ways, the Financial Year 2017/18 was both challenging and incredibly eventful with the formation and gazettelement of the multi-agency Anti-illicit Trade Executive Forum as well as the Technical Working Group. With adequate funding to carry out its operations and continued support from the various stakeholders, the Agency will effectively deliver on its mandate.

In conclusion, I would like to sincerely thank our Board of Directors for their continued support, staff of the Agency for the dedicated service and all our stakeholders for their faith and confidence in the Agency. We look forward to greater collaboration with all our stakeholders as we endeavour to make Kenya counterfeit-free.


Mr. E. Halake, SS
Executive Director

Date... 6/6/2019

VI. CORPORATE GOVERNANCE STATEMENT

The Agency's Board of Directors is the superior organ in the Corporation's organization structure and is responsible for both leadership and Governance of the organization. The Board provides leadership and oversight by working with management to formulate strategy, set corporate values and monitor performance of the Corporation. In its leadership role, the Board provides the strategic direction of the organization while in its governance practices are embedded in the management of the Corporation.

As a State Corporation established by the Anti-Counterfeit Act, 2008, the Agency is implementing the Mwongozo Code of Corporate Governance issued by His Excellency the President on 26th April, 2015 vide the Executive Order No. 7. The implementation of Mwongozo ensures enhanced transparency and disclosure, strengthened sustainability and performance management as well as compliance with Laws and Regulations.

The Agency's core values of diligence, integrity and vigilance have been guiding principles in operations of ACA. The Board of Directors and Management have continued to ensure that the Mission, Vision and Core values are upheld while sustaining a reputable corporate culture.

The Board is committed to ensuring that the Agency's strategic objectives are achieved through its corporate governance practices. The Board and management undertake to perform their duties with diligence, integrity and vigilance. The Board is committed to ensuring that the Agency complies with applicable laws and statutes.

The Agency's board is established under section 6 of the Anti-Counterfeit Act 2008. It is composed of 9 members drawn from the private and public sector institutions with a role in combatting counterfeits. The chairman is appointed by the cabinet secretary Ministry of Industry, Trade and Cooperatives from amongst the two independent members experienced in matters relating to Intellectual property rights; consumer protection, or trade; the Principal Secretary state department of trade in the ministry for the time being responsible for matters relating to industrialization or his or her representative; the Principal Secretary in the ministry for the time being responsible for matters relating to finance or his or her representative; the Executive Director appointed by the Board; the Commissioner-General of the Kenya Revenue Authority, who may be represented by the Commissioner of Customs; the Attorney General or his representative, the Managing Director of the Kenya Bureau of Standards; the Chief Executive of the Kenya Association of Manufacturers or a representative and two members appointed by the Cabinet Secretary, not being public officers who have experience in matters relating to Intellectual property rights; consumer protection, or trade.

Board Charter and Appointment of Directors

The Board revised its charter in November 2017 to align it to the requirements of Mwongozo. Under the Anti-Counterfeit Act, the Board has no role in the nomination, selection and appointment of Directors. It is only two independent directors who are appointed by the Cabinet Secretary for

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Industrialization and Enterprise Development. Other directors are nominated by the institutions they represent.

Role and functions of the Board

The basic responsibility of the Directors is to exercise their best judgment to act in what they reasonably believe to be in the best interests of the Agency and its stakeholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Agency's senior staff and its external advisors and auditors. The directors are responsible for determining the organization's mission, vision, purpose and core values of the Agency. In addition the Board has the role to set and oversee strategy and approve significant policies of the organization. Further, the Board needs to ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its stakeholders.

The Board approves the organizational structure, annual budget and monitors the Agency's performance to ensure sustainability through the quarterly reports presented by Management. This ensures that adequate resources are allocated to the core objectives of the Agency in order to enhance the corporate image of the Agency.

The Board hires the Executive Director and senior management; level of Assistant Manager, Manager and Deputy Director. It is also mandated to ensure effective communication with stakeholders.

Key Board Activities

The Board meets at least once a quarter depending on the exigencies of the business. Members receive adequate notice for meetings and detailed board papers on issues to be discussed are transmitted before the meetings.

The Board conducted its annual evaluation to appraise its performance on 30th November, 2018. This evaluation was facilitated by State Corporation Advisory Committee. The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement.

The Board provides new Board members with an effective induction programme in order to familiarize them with their responsibilities as directors, general principles of corporate governance and Board practices. The induction programme also provides the Board member with an orientation of the Agency, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.

Board members are remunerated for their services in accordance with the prevailing relevant legislative provisions and/or guidance from State Corporation Advisory Committee. The Board has put in place a succession plan for both the Board and management and review the same regularly.

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The Board ensures that a governance audit of the Agency is undertaken on an annual basis. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance.

In order to fulfil its Fiduciary Oversight Arrangements, the Board has set up 3 (three) principal Committees which sets forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedure for appointment and removal and committee reporting to the Board in the committee's terms of reference. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

During the year under review the Agency's board held 5 full board meetings. The Human Resource, Finance & General Purposes committee held 4 meetings; Technical Committee held 4 meetings and Audit & Risk Committee held 4 meetings which were attended as follows:

Board Member	F, HR & GP Committee	Technical Committee	Audit Committee	Full Board	Other Activities ***
Pradeep Paunrana	-	-	-	1	2
Charles Ongwae*	-	4	3	4	-
Phyllis Wakiaga**	-	4	4	5	9
Joel Bett	2	2	-	4	7
Col. James Kariuki	-	3	3	4	1
Emmanuel Bitta	3	3	-	2	1
Michael Onyancha	3	-	4	5	5

*Mr. Eric Chesire was an alternate director

** Mr. Joseph Wairiuko is an alternate director

*** includes official activities and functions of the Agency besides Board meetings.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Agency's operational and financial performance

The Agency has three departments. Each department was able to meet its FY 2017/2018 Performance targets as indicated below:

Enforcement department:

1: Enforcement and Prosecution

The following are the number of IPR complaints received, cases investigated and prosecuted in the period indicated:

a) IPR Complaints Received, Investigated and Prosecuted:

Financial Year	IPR Received	Investigated	Prosecuted
FY 2017/2018	172	133	32

Annual achievement: % of completed investigations within 3 Months (133 IPR complaints investigated/ 172 IPR complaints)*100 = **77.32%**

Annual Achievement: Cases concluded: **132** (Acquittals, Withdrawals, Convictions, ADR)
 % of cases filed in courts/Prosecuted (32 cases investigated filed in court /133 Total cases investigated *100) = **24.1%**

b) Surveillance of Counterfeiting

The Agency actioned **100%** of all the intelligence received through:

- Consumer Complaints.
- Suo motto
- Multi-Agencies RRI intelligence.
- Research findings.
- Market Research and surveillance
- Incidental investigations.

Annual Achievement: **100% of actionable intelligence gathered.**

c) Value of Seized and Destroyed Goods:

Financial Year	Approximate value (Kshs.)	
	Seized	Destroyed
FY 2017/2018	388,679,244	62,899,462

Annual achievement: % of seized goods accounted for: **100%**
 Cumulative value of goods at the depot as at the end of the FY 2017/18: **Kshs. 1,198,706,524**

Research and Awareness Department:

2: Public awareness activities

The Agency implemented the following programs: public outreach, sensitization/training, conferences and the media coverage. The Agency carried out 71 activities in different parts of the country.

The Agency participated in the second Kenya Trade Week 2018, with one day focused on illicit trade. As part of the Multi-Agency team, the agency carried out public outreach in collaboration with the State Department of Trade and other law enforcement agencies.

To enhance awareness and outreach

The Agency conduct public outreach activities as follows;

Quarter 1:

5 public outreach activities were conducted

- National trade week (10th – 12th July)
- Outreach through destruction of counterfeits (21st July)
- Mombasa ASK Show (28th Aug 2nd Sept)
- Tangaza University College (22nd -23rd Sept)
- Legal Awareness Week (25th – 29th Sept)

Quarter 2:

2 outreach activities were conducted;

- Nairobi International Trade Fair, 2nd to 8th October
- 2nd Kenya Manufacturing Summit & Expo 2017, 23rd to 25th November

Quarter 3:

4 public outreach activities were conducted

- Kenyatta University exhibitions at the career week of February 2018
- Nairobi Innovation Week at the University of Nairobi March 5 - 9, 2018
- Kisii World Consumers Day open air forum at Daraja Mbili on 15th March 2018
- Public outreach by “town drive through” program at Namanga on 28th February and 1st Mar complemented with banners in strategic locations

Quarter 4:

6 outreach activities were conducted.

- WIP day forums with KIPi held on 25th & 26th April at Bomas of Kenya
- WIP day outreach forum held with KECOBO on 26th April 2018 held at the Nairobi Museum
- Public outreach by “town drive through program” at Busia border sensitization held on 27th April 2018 in Busia
- Destruction of counterfeit goods held on 26th April 2018 at Envirosafe, EPZA Grounds, Athi River
- NACADA Inter Agency committee forums for youth & community leaders held at Kitui on 6th & 8th June 2018 respectively
- WACD commemoration activities ie – procession and fliers distribution to motorists

Target for the year: **12 Activities**

Annual achievement: **17 Activities (141.7%)**

To enhance stakeholder (Public & Private Capacity on counterfeiting issues.

Quarter 1

- Draft training curriculum was done and presented to management for discussion.

- Stakeholders forum for launch of SP (20th July) used for outreach

Quarter 2

- Nairobi IPR owners forum organized and conducted on 29th November and registered 102 people

Quarter 3

Training and sensitization forums were held at reaching about 200 people, i.e.

- Namanga government agencies forum training forum
- Business people & community leaders stakeholder sensitization
- Conducted 10 sensitizations forums to cover the 16 sub counties of Nairobi County courtesy of Nairobi County Liquor Board (NCLB); an estimate of 1,000 people from both government agencies and business community were reached.
- Awareness Manual and the training curriculum were validated by the management and recommended for approval by the board.

Quarter 4

- Awareness Manual and the training curriculum were deliberated on and approved by the board.
- Stakeholders consultative forum held on 3rd of April 2018
- A '2 in 1' Busia border sensitization forum for government and private sectors stakeholders was held on 27th April 2018 in Busia
- Stakeholders' consultative forum held on 13th June 2018 at the Boma Hotel Nairobi
- WACD symposium was held on 26th June, 2018 at the Laico Regency Nairobi

3: Research activities

The Agency Achieved the following during the financial year;

Market Research: To inform Policy, Enforcement and Awareness

Quarter 1

The Agency carried out a market intelligence survey on online counterfeiting targeting consumers in Mombasa and Nairobi counties.

Key findings

- 46.3% of those interviewed have ever heard of ACA while 53.7% have not.
- 45.7% have ever purchased counterfeit products while 30% and 24.3% have never and not sure respectively.
- Most of the respondents (20.5%) consider price as the most important factor when purchasing a product.
- Most counterfeited products were Electronics (with a rating of 51%), while stationery (15%) was the least counterfeited product. The level of public awareness on matters of counterfeiting stood at 46.75%

Quarter 2

- The Agency carried out a Market intelligence survey on online counterfeiting in Kisumu, Eldoret and their environs conducted.

Key findings

- 81.4% of the population understand what online purchasing

- 51.4% have ever purchased products online.
- Majority of online purchasing is by individuals aged below 25 years (54.4%), followed by 25-34 years (52.4%)
- Main products they purchased online are electronics and they gave the low cost of the products as the main reason.
- 57% of those who do online purchases have never come across counterfeit products while 27% are not sure whether they bought a counterfeit product or not.
- 16% have ever bought counterfeit products from online sites.

Quarter 3 & 4

The Agency conducted 2 research activities in the quarter as follows;

- Research to determine the level of counterfeiting among manufacturing firms in selected towns in Kenya

Objectives

To establish the level of counterfeiting in Kenya with specific reference to selected towns in Kenya.

- Whether firms were aware of counterfeiting of their products
- Effect of counterfeiting to the manufacturing firm
- Anti-counterfeit strategies put in place by the manufacturing firm
- Trends in counterfeiting in the firm, sector and in Kenya in general
- Experience in working with law enforcement agencies in fighting counterfeiting.

Findings

Based on a sample of 380 manufacturers spread in more than 10 sub-sectors, this study revealed that the level of counterfeiting in urban Kenya was **15.6% compared to 23% in 2016**

- Research to determine the level of public awareness on matters of counterfeiting among consumers in selected towns in Kenya

Objectives

- To establish the level of public awareness on matters of counterfeiting in Kenya with specific reference to selected towns in Kenya
- To determine the most counterfeited products in the Kenyan market
- Review measures and strategies to reverse negative trends in counterfeiting

Findings

Based on a sample of 660 consumers in the major towns in Kenya, this study revealed that the level of public awareness on matters of counterfeiting in urban Kenya was **61.68% compared to 53% in 2016.**

4: Collaborate with other MCDA & IPR holders

In the financial the Agency collaborated with other institutions to enforce intellectual property rights as follows;

- Draft Stakeholder management framework was developed and shared with Management for input;

Awareness activities conducted in collaboration with stakeholders:

- 3 meetings were held with MSEA, EA Cables and Mastermind Tobacco to establish areas of collaborations;
- National Trade week in collaboration with SDT
- SP Launch in collaboration with KAM (within the existing MOU),

ANTI-COUNTERFEIT AGENCY (ACA)
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FOR THE YEAR ENDED JUNE 30, 2018

- v) Mombasa ASK Show in collaboration with MSEA.
- Legal Awareness Week in collaboration with LSK
- Tangaza University Conference and Exhibition
- Nairobi International Trade Fair (NITF), 2nd to 8th October, 2017
- 2nd Kenya Manufacturing Summit & Expo (KMSE) 2017, 23rd to 25th November-
- Nairobi IPR forum of 29th November cosponsored with KAM and supported by NWPCPC, KRA, KEBS, and KNCCI among others.
- Nairobi County Liquor Board in 10 sub counties' stakeholders programs
- Nairobi Innovation week at UON and KU career week in collaboration with State department for Industry, UON and KU respectively
- Kisii outreach in collaboration with Competition Authority
- WIP day commemoration programs in collaboration with KIPI at Bomas of Kenya
- WIP day commemoration programs in collaboration with KECOBO at the Museum of Kenya
- Border program in Namanga and
- Border program in Busia
- The 2 above in collaboration with other government agencies, County governments and private sector e.g KNCCI among others
- Interagency committee dialogue forums in Kitui in collaboration with NACADA
- WACD in collaboration with various stakeholders e.g SKF, Kenafric and Coca cola, among others.

Collaborations in enforcement

- The Agency collaborated with Interpol and the Kenya Police in the country wide intelligence led operation dubbed "operation Usalama" Interpol on 4th and 5th October, 2017 in Nairobi and Mombasa
- CID on intelligence gathering and joint raid on 4th December
- The Agency collaborated with NACADA by conducting surveillance enforcement raids in Isiolo on 16th November 2017. The objective of the activity was to check for conformity on the relevant County Alcoholic Drinks Laws and existence of counterfeit drinks
- Rapid Results initiatives to combat illicit trade conducted with KRA, KEBS, DCI, Weights & Measures, and Immigration among other agencies.
- Staff training on identifying counterfeits was done by Biersdorf who are one of our key stakeholders.
- The Inter-Agency working group spearheaded by the Anti-Counterfeit Agency was also launched in quarter 4.

Annual Target: **15 collaborative Enforcement and Awareness activities.**

Annual Achievement: **23 collaborative activities (153%)**

5: Corporate Services Department:

The department achieved 85.93% Utilization of allocated funds, and collected Ksh. 13,074,025.15 being complaint and destruction fees against a targeted amount of Ksh. 10,000,000. The department also complied with statutory obligations by submitting all statutory obligations on time.

ISO Certification: To enhance the quality of services offered by the Agency, the Agency pursued certification to ISO 9001:2015. On 20th October 2017, the Agency was issued with a certificate number KE17/2400 valid from 9 October 2017 until 9 October 2020. The Agency endeavours to maintain the certification and expand the scope to the regional offices.

Performance Management System based on Balanced Score Card Model: The Agency is implementing a performance management system based a balanced scorecard model to align operational actions with the strategic objectives of the Agency for effective delivery of services, to

ensure effective implementation of the Strategic Plan and enhanced staff performance, and to eliminate wastage.

SECTION B

Agency's compliance with statutory requirements

The Agency complied with all its statutory obligations in the current quarter. These are VAT, PAYE, NHIF, NSSF and HELB.

However, the Agency had one lawsuit completed and one pending lawsuit which relate to legal claims by suspected counterfeiters as follows:

A consignment of ink and toner cartridges valued at Kshs 4,761,600 was lost at the Kyang'ombe depot and the owner of the seized goods M/s Toner Mart Technologies had sued the Agency. Judgment in respect of this case was determined within the quarter and the agency was ordered to pay Kshs 7,500,000 to M/s Toner Mart Technologies. These amounts had not been provided for in this financial year but the same has been covered in the financial year 2018/2019.

James Kimani Mwangi of Ms SWEPCO Ltd has sued the agency for damages after the court ruled that he had no case to answer in a case where the agency had charged him with four counts of having in his possession in the course of trade, counterfeit goods contrary to section 32(a) as read with section 35(1) of the Anti-Counterfeit Act, 2008. Judgment in respect of this case had not been determined as at 30th June 2018. The amounts have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from this case.

SECTION C

Key projects and investment decisions the Agency is planning/implementing

The Agency had planned to purchase one seized goods holding depot in the current financial year but this budget was cut due to austerity measures by the National Government. This is a three year project that will involve the acquisition of 6 seized goods holding depots (10,000 sq. feet each) at strategic locations to store counterfeit goods as exhibits to be produced in law courts (at a cost of Kshs 200 million), in a span of 3 years.

The main purpose of the project is to improve the ease of doing business by facilitating a level-playing field for businesses to invest, be competitive, thrive, grow, create employment, reduce poverty and also help the government achieve the Big '4' agenda by promoting genuine products in manufacturing, fertilizers, seeds, medicine and construction materials. This is in line with national government strategic objectives and policies.

The project is to be financed by the National Treasury and the first phase has been allocated for funds by the national government in the agency's 2018/19 budget.

SECTION D

Major risks facing the Agency

The Agency has no market risk, capital risk, credit risk and foreign exchange risk as clearly explained in the notes to the financial statements.

The Agency is however faced with the various operational risks including Security threat of enforcement officers in the course of duty, legal liabilities arising from being sued by counterfeiters, insufficient support and co-ordination from other organizations involved in combating counterfeiting, porous borders, rapid technological advancement and legal limitations to the Anti-counterfeit Act.

The Agency also faces liquidity risk because of delay in receipt of government grants from the National Treasury and budget cuts.

SECTION E

Material arrears in statutory/financial obligations

There are no material arrears in statutory or financial obligations.

SECTION F

The Agency's financial probity and serious governance issues

There is no major financial probity as reported by internal audit/Board audit committee, external auditors, or other National Government Agencies providing oversight; and there are no serious governance issues among the Board or member of the Board and top management including conflict of interest.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Agency's affairs.

Principal activities

The principal activities of the Agency continue to be to enlighten and inform the public on matters relating to counterfeiting; combat counterfeiting, trade and other dealings in counterfeit goods in Kenya in accordance with the Act or any other written law; devise and promote training programs to combat counterfeiting; and co-ordinate with national, regional or international organizations involved in combating counterfeiting

Results

The results of the Agency for the year ended June 30, 2018 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown from pages v to viii.

Auditors

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

By Order of the Board


Mr. E. Halake, SS
Executive Director

Date: 6/6/19

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012, section 14(3) of the State Corporations Act and Section 20(2) of the Anti- Counterfeit Act, 2008 require the Directors to prepare financial statements in respect of the Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.


The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Agency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2018, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Agency 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 Agency's financial statements were approved by the Board on 7th September, 2018 and signed on its behalf by:

Executive Director 
Date..... 6/6/19

Chairperson of the Board
Date..... 6/6/2019

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ANTI-COUNTERFEIT AGENCY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Anti-Counterfeit Agency set out on pages 1 to 28, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Anti-Counterfeit Agency as at 30 June 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Anti-Counterfeit Agency Act, 2008.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Anti-Counterfeit Agency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Anti-Counterfeit Agency for the Year Ended 30 June 2018

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources has 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 that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the 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 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intend to have the Agency cease operations or have no realistic alternative but to do so.

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 money is applied in an effective manner.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

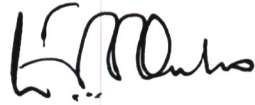
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern or 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 Agency to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

25 June 2019



ANTI-COUNTERFEIT AGENCY (ACA)
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

**XI. STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017-2018 Kshs	2016-2017 Kshs
Revenue from non-exchange transactions			
Recurrent – Government grant	8	395,402,000	225,402,000
		395,402,000	225,402,000
Revenue from exchange transactions			
Finance income	9	-	383,521
Other income	10	13,074,025	12,112,349
		13,074,025	12,495,870
Total revenue		408,476,025	237,897,870
Expenses			
Employee costs	11	163,582,860	151,952,508
Remuneration of Directors	12	2,638,874	4,068,252
Depreciation and amortization expense	13	21,158,548	23,023,622
Repairs and maintenance	14	3,331,435	1,340,711
General expenses	15	60,917,052	71,222,607
Total expenses		251,628,769	251,607,700
Surplus/(deficit) for the period		156,847,256	(13,709,830)


The notes on pages 7 to 27 form an integral part of these Financial Statements.


ANTI-COUNTERFEIT AGENCY (ACA)
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

**XII. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2018**

	Note	2017-2018 Kshs	2016-2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	16	268,213,370	97,208,762
Receivables from non-exchange transactions	17	4,310,306	4,013,114
Inventories	18	1,194,773	980,664
		273,718,449	102,202,540
Non-current assets			
Property, plant and equipment	19	42,579,959	53,497,917
Intangible assets	20	2,173,141	1,760,632
		44,753,100	55,258,549
Total assets		318,471,549	157,461,089
Liabilities			
Current liabilities			
Trade and other payables from non -exchange transactions	21	6,437,887	2,405,406
Employee benefit obligation – staff gratuity	22	1,943,648	330,237
		8,381,535	2,735,643
Total liabilities		8,381,535	2,735,643
Net assets			
Reserves – Self insurance		116,374,996	117,857,684
- Development		12,500,000	12,500,000
- Revaluation		15,904,628	15,904,628
Accumulated surplus		165,310,390	8,463,134
Total Net assets		310,090,014	154,725,446
Total net assets and liabilities		318,471,549	157,461,089

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



 Executive Director
 Mr. Elema Halake, SS


 Head of Finance
 Ms. Rephah Kitavi
 ICPAK No: 11437

Chairperson of the Board
 Ms. Flora Mutahi

Date: 6/6/19

Date: 06/06/2019


 Date: 7/6/2019

**XIII. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2018**

	Attributable to the owners of the controlling Agency				
	Reserves				Total
	Self- insurance reserve	Development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	
Kshs	Kshs	Kshs	Kshs	Kshs	
Balance as at 1 July 2016	119,340,372	-	-	22,172,964	141,513,336
Deficit for the period		-	-	-13,709,830	-13,709,830
Depreciation	-1,482,688	-	-	-	-1,482,688
Development Grants received during the year	-	12,500,000	-	-	12,500,000
Revaluation gain	-	-	15,904,628	-	15,904,628
Balance as at 30 JUNE 2017	117,857,684	12,500,000	15,904,628	8,463,134	154,725,446
Balance as at 1 July 2017	117,857,684	12,500,000	15,904,628	8,463,134	154,725,446
Surplus for the period	-	-	-	156,847,256	156,847,256
Depreciation	-1,482,688	-	-	-	-1,482,688
Balance as at 30 JUNE 2018	116,374,996	12,500,000	15,904,628	165,310,390	310,090,014

The Agency creates and maintains reserves in terms of specific requirements. The Agency maintains general reserves to be used both for purchase of fixed assets and day to day operations of the Agency

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XIV. STATEMENT OF CASHFLOWS

	Note	2017-2018 Kshs	2016-2017 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	4	395,402,000	237,902,000
Finance income	9	-	383,521
Other income, rentals and agency fees	10	13,074,025	12,112,349
Total Receipts		408,476,025	250,397,870
Payments			
Compensation of employees	11	(163,582,860)	(151,952,508)
Remuneration of Directors	12	(2,638,874)	(4,068,252)
Repairs and maintenance	14	(3,331,435)	(1,340,711)
General expenses	15	(60,917,052)	(71,222,607)
Total Payments		(230,470,221)	(228,584,078)
Net cash flows from operating activities		178,005,804	21,813,792
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(9,673,776)	(16,665,535)
Purchase of intangible assets	20	(2,462,012)	(1,275,000)
Decrease/ increase in current receivables	23	5,134,592	(2,463,603)
Net cash flows used in investing activities		(7,001,196)	(20,404,138)
Net increase/(decrease) in cash and cash equivalents			
		171,004,608	1,409,654
Cash and cash equivalents at 1 JULY		97,208,762	95,799,108
Cash and cash equivalents at 30 JUNE	16	268,213,370	97,208,762

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**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE PERIOD ENDED 30 JUNE 2018**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs
Revenue										
Government grants – Recurrent	245,402,000		-		245,402,000		395,902,000		150,000,000	
Transfers from NIC**	-		6,936,186		6,936,186		-		-	
Other income, rental and agency fees	8,000,000		2,000,000		10,000,000		13,074,025		3,074,025	
Total income	253,402,000		8,936,186		262,338,186		408,476,025		153,074,025	
Expenses										
Compensation of employees	183,634,800		1,516,027		185,150,827		163,582,859		21,567,968	
Remuneration of Directors	4,000,000		-		4,000,000		2,638,874		1,361,126	
Repairs and maintenance	1,500,000		2,000,000		3,500,000		3,331,435		168,565	
General expenses	64,267,200		5,420,159		69,687,359		60,917,052		8,770,307	
Depreciation	-		-		-		21,158,548		(21,158,548)	
Total expenditure	253,402,000		8,936,186		262,338,186		251,628,769		10,709,417	
Surplus for the period	-		-		-		156,847,256		-	
Capital Budget										
Retained Reserves***	20,000,000		-		20,000,000		20,000,000		-	
Government grant – development (Purchase of Go-down)	55,000,000		(55,000,000)		-		-		-	
Total Income	75,000,000		(55,000,000)		20,000,000		20,000,000			
Expenses										
Purchase of assets	20,000,000		-		20,000,000		12,135,788		7,864,212	
Purchase of Go – down	55,000,000		(55,000,000)		-		-		-	
Total Capital Expenditure	75,000,000		(55,000,000)		20,000,000		12,135,788		7,864,212	
Surplus for the Period	-		-		-		-		-	

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Notes to explain the variance:

* Budget reallocations were done by the Budget Implementation Committee due to arising needs in the Agency and also the budget for acquisition of go-down was cut due to austerity measures by the National Government.

* The Agency used reserves to finance development Activities

** These are transfers from the Agency's NIC Bank Account

***Reserves used in the capital budget. These reserves were not included in arriving at surplus for the periods as they were not new incomes to the Agency in the year. They are however included in the calculation of the performance differences.

1. Recurrent grants

The Agency was allocated a supplementary II budget of KES 150,000,000 in the FY 2017/18 this was received in June 2018 and approved to be used in the FY 2018/19.

2. Depreciation

This is a non-cash item hence not budgeted for.

3. Compensation of employees

* Ksh 2,900,016 Executive Director's salary (241,668*12) salary that was approved and allocated for in the year but is yet to be paid as we are awaiting approval by SCAC.

*Kshs. 628,680 Executive Director's gratuity (52,390*12) that would have been earned if the salary had been approved by SCAC.

*13 inspectors were to join the Agency in the year at a cost of Kshs. 16,513,763 but are yet to.

4. Remuneration of directors

The Chairman of the Board declined payment of monthly honoraria.

5. General expenses

The Executive Director's membership was budgeted for but not procured in the year.

Some activities were committed but the procurement process was still ongoing as at the end of the financial period.

Goods/services for which the procurement process was complete but invoices were yet to be received as at the end of the year.

6. Purchase of assets

Motor vehicle not yet procured but in the procurement process.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Anti-Counterfeit Agency was established under Section 3 of the Anti-Counterfeit Act No. 13 of 2008 as a corporate body under the State Corporations Act, Chapter 446 of the Laws of Kenya, and derives its authority and accountability from this Act. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya.

The Agency’s principal activity is to enlighten and inform the public on matters relating to counterfeiting; combat counterfeiting, trade and other dealings in counterfeit goods in Kenya in accordance with the Anti-Counterfeit Act 2008 or any other written law; devise and promote training programs to combat counterfeiting; and co-ordinate with national, regional or international organizations involved in combating counterfeiting.

2. Statement of compliance and basis of preparation – IPSAS 1

The Agency’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 Agency and all values are rounded to the nearest whole number. The accounting policies have been applied to 2017/2018 financial year presented.

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

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards

Standard	Impact
<p>IPSAS 33: First time adoption of Accrual Basis IPSAS</p>	<p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The Agency adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Agency.</i></p>
<p>IPSAS 34: Separate Financial Statements</p>	<p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an Agency prepares separate financial statements.</p>

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Standard	Impact
	<i>The Agency does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i>
IPSAS 35: Consolidated Financial Statements	<p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an Agency controls one or more entities. It requires an Agency that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other Agency - Its exposure or rights to variable benefits from involvement with the other Agency - Its ability to control the nature, timing and amount of benefits from the other Agency. <p>Once control is assessed the controlling Agency is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>The Agency does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i></p>
IPSAS 36: Investments in Associates and Joint Ventures	<p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The Agency does not have investments in associates or joint ventures</i></p>
IPSAS 37: Joint Arrangements	<p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The Agency does not have an interest in a joint arrangement and therefore the standard does not apply</i></p>
IPSAS 38: Disclosure of Interests in Other Entities	<p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an Agency to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The Agency does not have an interests in other entities and therefore the standard does not apply</i></p>

ii. **New and amended standards and interpretations in issue**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. <i>The Agency contributes monthly to a defined contribution scheme for its permanent staff and has liabilities relating to staff gratuity contributed for its staff on contract terms.</i>
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. **Early adoption of standards**

The Agency did not early - adopt any new or amended standards in year 2018.

4. **Summary of significant accounting policies**

a) **Revenue recognition**

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

Fees, taxes and fines

The Agency recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agency and the fair value of the asset can be measured reliably. *The Agency did not receive any income from fees, taxes and fines.*

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 Agency and can be measured reliably. *The agency received the below transfers from the Ministry of Industry, trade and Cooperatives.*

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Transfer date	Type of transfer	Financial period	State Department	Amount
22.09.17	Recurrent	2017/18	Trade	61,350,500.00
22.12.17	Recurrent	2017/18	Trade	61,319,000.00
16.03.18	Recurrent	2017/18	Trade	61,382,000.00
15.05.18	Recurrent	2017/18	Trade	61,350,500.00
25.06.18	Recurrent	2018/19	Trade	150,000,000.00
TOTAL				395,402,000.00

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Agency recognizes revenue from rendering of services 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. *The Agency did not receive any income from rendering of services.*

Sale of tender documents

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency. *The Agency did not receive any income from sale of tender documents.*

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. *The Agency did not earn interest on income.*

Dividends

Dividends or similar distributions are recognized when the Agency's right to receive payments is established. *The Agency did not receive any dividends.*

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. *The Agency did not receive any rental income.*

b) Budget information – IPSAS 24

The original budget for FY 2017-2018 was approved by the National Assembly on 30th March, 2017. Subsequent revisions/reallocations were made to the approved budget in accordance with specific approvals from the Budget Implementation Committee. The additional appropriations are added to the original budget by the Agency upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Agency recorded additional appropriations of KES 8,936,186 on the 2017-2018 recurrent budget following the Budget Implementation Committee's approval and reduced KES 55,000,000 from the capital budget due to budget cuts by the National Government caused by austerity measures.

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

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

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

c) Taxes

Sales tax

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

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

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

d) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agency recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. It is the policy of the Agency to charge full depreciation on all its non-current assets in the year of purchase and no depreciation in the year of disposal.

e) Leases – IPSAS 13

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Agency. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Agency also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Agency will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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

f) Intangible assets–IPSAS 31

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

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

g) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agency 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 Agency has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agency 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 recognized as well as through the effective interest method amortization process.

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

h) Inventories – 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.

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

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

i) Provisions – IPSAS 19

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

Contingent liabilities

The Agency does not recognize a contingent liability, but discloses details of a possible obligation whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency 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 Agency 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 Agency 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.

j) Nature and purpose of reserves

The Agency creates and maintains reserves in terms of specific requirements. The Agency maintains general reserves to be used both for purchase of fixed assets and day to day operations of the Agency the details of which are shown in the statement of changes in net assets.

k) Changes in accounting policies and estimates – IPSAS 3

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

l) Employee benefits – IPSAS 25

Retirement benefit plans

The Agency provides retirement benefits for its permanent and pensionable employees. Further an amount equivalent to 31% of basic salary is set aside as gratuity for all employees on contract. The Agency's contribution towards employee pension scheme and gratuity for those on contract is charged to the statement of financial performance in the year to which the employees rendered their services to the Agency. The Agency 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.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. The Agency did not have any foreign currency transactions in the financial year ended 30th June 2018.

n) Related Parties

The Agency regards a related party as a person or an Agency with the ability to exert control individually or jointly, or to exercise significant influence over the Agency, or vice versa. Members of

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key management are regarded as related parties and comprise of the board members, Executive Director and Deputy Directors.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year and petty cash outstanding from any of the Agency's branches.

p) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The repairs and maintenance costs are reported separately from the general expenses in this financial year.

7. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Agency'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.

In the process of applying the accounting policies, management makes judgments, estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Equipment

Critical estimates are made by the Directors in determining depreciation rates of equipment

Impairment

At each statement of financial position date, the organization reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an

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impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the organization estimates the recoverable amount of the cash generating unit to which the asset belongs.

Provisions and contingent liabilities

The Agency reviews its obligations at each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

Estimates and assumptions

The Agency based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Agency. 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 Agency
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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 June 30, 2018.

8. Transfers from government

Description	2017-2018	2016-2017
	Kshs	Kshs
Unconditional grants		
Operational grant	395,402,000	225,402,000
Development grant	-	12,500,000
Total government grants and subsidies	395,402,000	237,902,000

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9. Finance Income – external investments

Description	2017-2018	2016-2017
	Kshs	Kshs
Cash investments and fixed deposits	-	383,521
Total finance income – external investments	-	383,521

The Agency had a fixed deposit account held at the National Industrial Credit Bank (NIC) which earned it interest in the FY 2016/2017. This account was closed in the FY 2017/2018 and all funds transferred to the Agency's account in Kenya Commercial Bank (KCB) hence no interest was earned in the year under review.

10. Other Income

Description	2017-2018	2016-2017
	Kshs	Kshs
Complaint Filling fees	3,446,954	4,417,333
Destruction and storage fees	9,627,071	7,655,016
Income from sale of tender	-	40,000
Total other income	13,074,025	12,112,349

11. Employee Costs

Description	2017-2018	2016-2017
	Kshs	Kshs
Salaries and wages	135,602,290	127,356,240
Employee related costs - contributions to pensions, NSSF and medical aids	24,656,296	21,652,957
Casuals and interns	1,710,861	2,160,206
Employee related costs - contributions to staff gratuity	1,613,412	783,105
Employee costs	163,582,859	151,952,508

12. Remuneration of Directors

Description	2017-2018	2016-2017
	Kshs	Kshs
Board committees conferences and seminars	-	401,560
Directors emoluments	2,017,400	2,297,600
Other allowances	621,474	1,369,092
Total director emoluments	2,638,874	4,068,252

13. Depreciation and amortization expense

Description	2017-2018	2016-2017
	Kshs	Kshs
Property, plant and equipment	20,591,733	22,097,038
Intangible assets	2,049,503	2,409,272
Depreciation govt. grant restatement	(1,482,688)	(1,482,688)
Total depreciation and amortization	21,158,548	23,023,622

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14. Repairs and Maintenance

Description	2017-2018	2016-2017
	Kshs	Kshs
Buildings and stations	-	194,670
Vehicles and Cycles	1,666,207	944,573
Furniture and Equipment	792,796	62,748
Computers and accessories	505,952	138,720
Communication Equipment	366,480	-
Total repairs and maintenance	3,331,435	1,340,711

15. General Expenses

Description	2017-2018	2016-2017
	Kshs	Kshs
Communication supplies and services	1,945,299	1,682,457
Printing, advertising and services	2,207,404	3,543,836
Domestic travel and daily subsistence allowance	7,707,305	11,379,874
Foreign travel and daily subsistence allowance	2,699,230	839,486
Audit fees	600,000	535,602
Hospitalities and services	1,931,703	1,364,089
Professional and consultancy services	2,607,938	2,407,265
Promotional activities	3,324,386	1,264,559
Office and General supplies/services	3,273,502	3,456,897
Electricity	95,512	1,588,681
Fuel, oil and lubricants	2,560,500	1,639,691
General Insurance	1,514,052	1,529,240
Bank charges	111,478	119,105
Destruction charges	2,268,227	926,880
Transport cost- for seized goods	268,219	1,091,426
Research	2,131,590	1,144,412
Rental	20,846,720	31,020,926
Security costs	1,688,960	1,946,160
Parking charges	521,764	3,086,518
Membership and subscription fees	277,313	290,484
Training	2,335,950	365,019
Total general expenses	60,917,052	71,222,607

16. Cash and cash equivalents

Description	2017-2018	2016-2017
	Kshs	Kshs
Current account –KCB Main Account	247,426,085	66,087,373
KCB Revenue Account	10,930,735	7,055,254
KCB Development Account	9,850,550	17,123,399
Short term Fixed deposit account- NIC Bank	-	6,936,736
Petty cash Kisumu	6,000	6,000
Total cash and cash equivalents	268,213,370	97,208,762

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17. Receivables from non - exchange contracts

Description	2017-2018	2016-2017
	Kshs	Kshs
Prepayments		
Medical insurance	3,336,472	2,573,921
Rent	71,043	595,370
Group Insurance	282,810	153,750
General Insurance	520,981	546,072
Other		
Staff Imprests	99,000	144,000
Total current receivables	4,310,306	4,013,113

18. Inventories

Description	2017-2018	2016-2017
	Kshs	Kshs
Consumable stores	1,194,773	980,664
Total inventories at the lower of cost and net realizable value	1,194,773	980,664

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19. Property, Plant and Equipment

Cost	Motor vehicles		Furniture and fittings		Computers		Office Equipment		Leasehold Improvement		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2016	66,017,281	-	28,873,166	46,940	12,042,370	14,822,475	18,737,051	140,492,343	16,665,535	15,904,628	173,062,506	182,736,282
Additions	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation	15,904,628	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2017	81,921,909	-	28,920,106	-	12,042,370	14,822,475	35,355,646	173,062,506	16,665,535	15,904,628	173,062,506	182,736,282
Additions	4,815,000	-	96,000	-	2,774,828	352,998	1,634,950	9,673,776	-	-	9,673,776	-
At 30 th June 2018	86,736,909	-	29,016,106	-	14,817,198	15,175,473	36,990,596	182,736,282	-	-	182,736,282	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
At 1 July 2016	(50,621,235)	-	(15,227,211)	-	(10,393,668)	(7,974,780)	(13,250,657)	(97,467,551)	-	-	(97,467,551)	-
Depreciation	(10,700,564)	-	(3,615,013)	-	(952,426)	(1,852,810)	(4,976,225)	(22,097,038)	-	-	(22,097,038)	-
At 30 th June 2017	(61,321,799)	-	(18,842,224)	-	(11,346,094)	(9,827,590)	(18,226,882)	(119,564,589)	-	-	(119,564,589)	-
Depreciation	(9,114,476)	-	(3,627,013)	-	(1,565,958)	(1,875,840)	(4,408,445)	(20,591,733)	-	-	(20,591,733)	-
At 30 th June 2018	(70,436,275)	-	(22,469,237)	-	(12,912,052)	(11,703,430)	(22,635,328)	(140,156,323)	-	-	(140,156,323)	-
Net book values	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2018	16,300,634	-	6,546,869	-	1,905,145	3,472,043	14,355,268	42,579,959	-	-	42,579,959	-
At 30 th June 2017	20,600,110	-	10,077,882	-	696,276	4,994,885	17,128,763	53,497,917	-	-	53,497,917	-

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20. Intangible assets – software

Description	2017-2018	2016-2017
	Kshs	Kshs
Cost		
At beginning of the year	9,377,688	8,102,688
Additions	2,462,012	1,275,000
At end of the year	11,839,700	9,377,688
Additions–internal development	-	-
At end of the year	11,839,700	9,377,688
Amortization and impairment		
At beginning of the year	7,617,055	5,207,783
Amortization	2,049,503	2,409,272
At end of the year	9,666,558	7,617,055
NBV	2,173,142	1,760,633

21. Trade and other Payables from exchange transactions

Description	2017-2018	2016-2017
	Kshs	Kshs
Trade payables	6,437,887	2,405,406
Total trade and other payables	6,437,887	2,405,406

22. Staff Gratuity

Description	2017-2018	2016-2017
	Kshs	Kshs
Staff gratuity b/d	330,236	31,104
Gratuity for the year	1,613,413	783,104
Payments	-	(483,972)
Total staff gratuity	1,943,649	330,236

23. Changes in receivables

Description	2017-2018	2016-2017	Changes
	Kshs	Kshs	Kshs
Staff imprests	99,000	144,000	45,000
Inventories	1,194,773	980,664	-214,109
Prepayments	4,211,306	3,869,113	-342,193
Trade payables	6,437,887	2,405,406	4,032,481
Staff gratuity	1,943,649	330,236	1,613,413
Total			5,134,592

24. Financial Risk Management

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse

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effect of such risks on its performance by setting acceptable levels of risk. The Agency does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

The Agency has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as other receivables (staff imprests).

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs
At 30 June 2017			
Receivables from non-exchange transactions	4,310,306	4,211,306	99,000
Bank balances	268,213,370	268,207,370	6,000
Total	272,523,676	272,418,676	105,000
At 30 June 2016			
Receivables from non-exchange transactions	4,013,113	3,914,113	99,000
Bank balances	97,208,762	97,208,762	-
Total	101,221,875	101,122,875	99,000

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Agency has significant concentration of credit risk on amounts due from staff imprests.

The board of directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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(ii) Liquidity risk management

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	4,040,560	232,790	2,164,537	6,437,887
Employee benefit obligation	1,943,649	-	-	1,943,649
Total	5,984,209	232,790	2,164,537	8,381,536
At 30 June 2017				
Trade payables	641,069	1,764,337	-	2,405,406
Employee benefit obligation	330,236	-	-	330,236
Total	971,305	1,764,337	-	2,735,642

Ultimate responsibility for liquidity risk management rests with the Agency's directors, who have built an appropriate liquidity risk management framework for the management of the Agency's short, medium and long-term funding and liquidity management requirements. The Agency manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table above represents cash flows payable by the Agency under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Market risk

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

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

The Agency's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Agency's exposure to market risks or the manner in which it manages and measures the risk.

a. Foreign currency risk

The Agency has transactional currency exposures. Such exposure arises through complaint and fees received from clients that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The Agency did not have a carrying amount of foreign currency denominated monetary assets and monetary liabilities during the financial year 2017/2018.

b. Interest rate risk

Interest rate risk is the risk that the Agency's financial condition may be adversely affected as a result of changes in interest rate levels. The Agency's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

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

Sensitivity analysis

The Agency analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year and the Agency faced no major interest rate risk during the financial period under review.

(iv) Capital Risk Management

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

	2017-2018		2016-2017
	Kshs		Kshs
Accumulated Fund	116,374,996		117,857,684
Revaluation reserve	15,904,628		15,904,628
Retained earnings	165,310,389		8,463,133
Capital reserve	12,500,000		12,500,000
Total funds	310,090,013		154,725,445
Total borrowings	-		-
Less: cash and bank balances	(268,213,370)		(97,208,762)
Net debt/(excess cash and cash equivalents)	41,876,643		57,516,683

25. Related Party Balances

a) Nature of related party relationships

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

The Agency is related to

- i) The National Government;
- ii) The Ministry of Industry, Trade and Cooperatives;
- iii) Key management;
- iv) Board of directors;

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b) Related party transactions

The following transactions were carried out with related parties.

	2018 Kshs	2017 Kshs
Transfers from GOK	395,402,000	237,902,000
Transfers to related parties	-	-
	395,402,000	237,902,000

c) Key management remuneration

	2018 Kshs	2017 Kshs
Directors'	2,017,400	2,297,600
Key management compensation	20,665,588	15,636,165
	22,682,988	17,933,765

26. Events after the reporting period

There are no material non-adjusting events after the reporting date.

27. Contingent Liability

The Agency had pending lawsuits which relate to legal claims by suspected counterfeiters as follows:

A consignment of ink and toner cartridges valued at Kshs 4,761,600 was lost at the Kyang'ombe depot and the owner of the seized goods M/s Toner Mart Technologies had sued the Agency. Judgment in respect of this case was determined and the agency was ordered to pay Kshs 7,500,000 to M/s Toner Mart Technologies. These amounts had not been provided for in these financial statements.

James Kimani Mwangi of Ms SWEPCO Ltd has sued the agency for damages after the court ruled that he had no case to answer in a case where the agency had charged him with four counts of having in his possession in the course of trade, counterfeit goods contrary to section 32(a) as read with section 35(1) of the Anti-Counterfeit Act, 2008. Judgment in respect of this case had not been determined as at June 30, 2018. The amounts have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from this case.

The Agency entered into a contract for legal services with Sichangi Partners Advocates. The Agency instructed Sichangi Partners to represent it on various legal cases that were in court involving the Agency. Sichangi Partners Advocates billed the Agency Kshs. 8,550,500. Out of this amount the Attorney General had granted approval of one matter, petition No. 55 of 2015 for Kshs. 850,500. The Agency has so far paid Kshs. 850,500. The balance of the invoices amounting to Kshs. 7,700,000 is yet to be settled as the matter is actively being investigated by the Ethics and Anti-Corruption Commission.

28. Taxation

The Agency is tax exempt by an Act of Parliament.

29. Capital Commitments

The Agency did not have any capital commitments as at 30th June, 2018.

30. Events after the reporting period

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

31. Ultimate and Holding Agency

The Agency is a State Corporation under the Ministry of Industry, Trade and Cooperatives. Its ultimate parent is the Government of Kenya.

32. Currency


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


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XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	The proposed staff establishment is 250 against the actual staff capacity of 73 giving rise to an under establishment of 177. The core department has a staff capacity of 35 against establishment of 141 staff	Management has obtained funding from the exchequer and is pursuing the necessary approvals to engage 27 inspectors in the financial year 2018/19	Mr. Elema Halake, Executive Director	In progress	Ongoing
2.	Storage of highly inflammable goods and other seized suspected counterfeit goods in the same depot	The Agency is in the process of acquiring another depot in the Financial year 2018/19 which will allow for separate storage of highly inflammable goods	Johnson Adera, Deputy Director Enforcement & Legal services	In progress	30 th June 2019


 Executive Director
 Date..... 6/6/19


 Chairperson of the Board
 Date..... 7/6/19

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XVIII. Appendix 1: INTER-ENTITY TRANSFERS

ENTITY NAME:		ANTI COUNTERFEIT AGENCY	
Break down of Transfers from the State Department of Industry			
FY 2017/2018			
a. Recurrent Grants			
	<u>Bank Statement</u> <u>Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to</u> <u>which the amounts</u> <u>relate</u>
	22.09.17	61,350,500	2017/2018
	22.12.17	61,319,000	2017/2018
	16.03.18	61,382,000	2017/2018
	15.05.18	61,350,500	2017/2018
	25.06.18	150,000,000	2018/2019
	Total	395,402,000	

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

Ag. Manager Finance & Accounts
 Anti-Counterfeit Agency

Head of Accounting Unit
 State Department of Trade

Sign R. Mumbua

for [Signature]
 Sign-----

