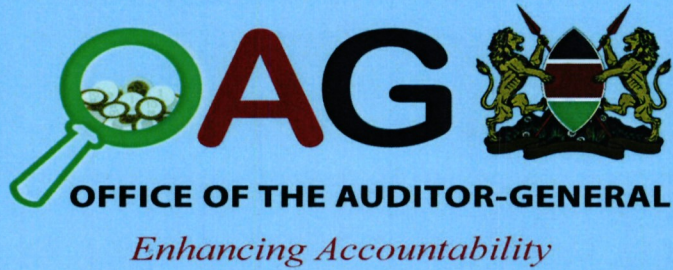


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THE AUDITOR-GENERAL

ON

ANTI-COUNTERFEIT AUTHORITY

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



**anti
counterfeit
authority**

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ANTI-COUNTERFEIT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

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

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ANTI-COUNTERFEIT AUTHORITY (ACA)
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FOR THE YEAR ENDED JUNE 30, 2020

ACRONYMS

ACA	Anti-Counterfeit Authority
ADR	Alternative Dispute Resolution
A-I-A	Appropriation in Aid
DFID	Department for International Development
FY	Financial Year
HR	Human Resource
IPR	Intellectual Property Rights
IPSAS	International Public Sector Accounting Standards
NEMA	National Environment Management Authority
OSHA	Occupational Safety and Health Administration
PFM	Public Finance Management
SCAC	State Corporations Advisory Committee

I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The Anti-Counterfeit Authority was established under Section 3 of the Anti-Counterfeit Act No. 13 of 2008 assented on 24th December, 2008 as a corporate body under the State Corporations Act, Chapter 446 of the Laws of Kenya. The Authority is domiciled in Kenya and has branches in Mombasa, Eldoret, Kisumu and satellite offices in Namanga, Malaba, Isebania, Moyale, Busia, JKIA and Lunga Lunga.

The Authority falls within the Ministry of Industrialization, Trade and Enterprises Development that is mandated to provide a policy framework and an enabling environment for industrialization, trade and enterprise development in Kenya. The Authority 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. The Authority undertakes its mandate through three (3) departments as follows: Enforcement and Legal services, Research and Awareness and Corporate Services.

(b) Principal Activities

The principal mandate of the Authority is outlined in section 5 of the Anti-Counterfeit Act, 2008 as follows:

- i) to enlighten and inform the public on matters relating to counterfeiting;
- ii) combat counterfeiting, trade and other dealings in counterfeit goods in Kenya;
- iii) devise and promote training programs on combating counterfeiting;
- iv) co-ordinate with national, regional or international organizations involved in combating counterfeiting;
- v) Advise the government through the Cabinet Secretary on policies and measures concerning the necessary support, promotion and protection of intellectual property rights as well as the extent of counterfeiting; and
- vi) carry out inquiries, studies and research into matters relating to counterfeiting and the protection of intellectual property rights.

Vision

A counterfeit-free Kenya

Mission

To Prohibit Counterfeiting through the Promotion and Enforcement of Intellectual Property Rights

(c) Key Management

The Authority’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 2020 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, Education and Public Awareness	Ms. Agnes Karingu
6.	Manager, Research, Strategy and Policy	Mr. Elijah Ruttoh
7.	Manager, Human Resource and Administration	Ms. Mary Mwinga
8.	Manager, Internal Audit	Mr. Hassan Kidzuga
9.	Manager, Finance and Accounts	Ms. Rephah Kitavi
10.	Manager, Legal Services	Mr. Naylor Mukofu
11.	Ag. Manager, Enforcement	Mr. Lindsay Kipkemoi

(e) Fiduciary Oversight Arrangements

The Authority has put in place measures and structures to enforce fiduciary and oversight arrangements to ensure compliance. The Authority which is the overall governance organ, comprises three key committees namely; Technical Committee, Human Resource, Finance and General-Purpose Committee and Audit and Risk Committee.

These committees provide policy direction and oversight to the Authority's management while advising the Board on various policy matters relating to its mandate. The main objective of the Audit and Risk Committee is to assist the Board in discharging its duties in relation to safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

Further the Authority submits its quarterly financial statements to the National Treasury through parent ministry and annual financial statements to the Office of the Auditor General for audit. In addition, the Authority has in place an approved Finance policies and procedures manual.

(f) Headquarters

P.O. Box 47771 - 00100
National Water Plaza
3rd Floor
Dunga Road
Nairobi, Kenya

(g) Contacts

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

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(h) Bankers

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

(i) Independent Auditors

Office of the Auditor General
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 Authority are:



Ms. Flora Mutahi
 Chairperson, Board of Directors




Ms. Flora Mutahi has a long stunning career in the Manufacturing Industry with over 20 years' experience. She was born on 5th June, 1967. She holds an MBA from the University of Cape Town. She is the founder of Melvin Marsh International Limited, Kenya's largest flavored teas company which has received several awards, she also owns a real estate company called Azizi Realtors Limited which deals in sales, rentals and property management. Ms. Mutahi was the former chair of the Kenya Association of Manufacturers board and is also a member of other boards including SBM Bank, UN Global Compact, KEPSA and KAM. She is greatly involved in supporting and empowering women in business through mentorship programs and talks and overall community development activities.



Ms. Fridah Kaberia; Ag. Executive Director
 MBA, BA (Econ), CPA(K), CS(K)

Ms. Fridah Kaberia is the Ag. Executive Director. She holds a Master's in Business Administration in Finance and a degree in Bachelor of Art (Economics) from the University of Nairobi. She is also a Certified Public Accountant, a Certified Secretary and additionally has trained in various strategic leadership and governance courses. Ms. Kaberia, has served in various capacities in the Authority and has over 16 years' experience in financial management and leadership in both Private and Public sector.

 <p>Lt. Col. (Rtd) Bernard N. Njiraini Managing Director, Kenya Bureau of Standards (KEBS)</p>	<p>Lt. Col. (Rtd) Bernard is a holder of Masters of Science in Mechanical Engineering, Post Graduate Diploma in Strategic Studies, He is a member of the Institution of Engineers of Kenya (IEK). He was born on 16th August, 1971. As a military officer he has attended various leadership and command courses including Grade 2 Staff command. He is currently the Managing Director, Kenya Bureau of Standards.</p>
 <p>Ms. Phyllis Wakiaga CEO, Kenya Association of Manufacturers</p>	<p>Ms. Phyllis 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 was born on 1st December 1981. 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.</p>
 <p>Mr. Joel Bett National Treasury</p>	<p>Mr. Joel is a holder of Masters in Economics and Bachelor of Economics both from the University of Nairobi. He was born on 27th March 1978. He is currently the Principal Economist at the National Treasury and was previously the senior Economist at the Ministry of Industrialization and Enterprise Developments.</p>

 <p>Major (Rtd) Samuel Muraya Kariuki Kenya Revenue Authority</p>	<p>Major (Rtd) Kariuki is a career security man having been in the industry for over 30 years. He was born on 5th December 1960. He has a wide experience in security profession having successfully worked as Senior Military Police officer and a trainer in the Army. After leaving the army in early 1995, Major (Rtd) Kariuki joined one of the large manufacturing organizations the East African Breweries Limited (EABL) as a security manager. In 2003 he joined Kenya Revenue Authority as the Senior Assistant Commissioner In charge of Security and safety. Currently he is the Acting Deputy Commissioner, Border Control & Enforcement in the same organization.</p>
 <p>Mr. Emmanuel Bitta Office of the Attorney General</p>	<p>Mr. Bitta is a holder of Bachelor of Laws degree from Bangalore University, holds post graduate Diploma in Law from Kenya School of Law and is currently undertaking Masters degree in Law, Governance and Democracy at the University of Nairobi. He was born on 29th July 1977. 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.</p>
 <p>Mr Michael N. Onyancha Weights and Measures Kenya</p>	<p>Mr. Michael is a holder of Bachelor of Education (Mathematics) and a Master's degree both from the University of Nairobi. He was born on 1st January 1960. He is currently pursuing a doctorate at the same university. 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.</p>






Mr Stephen Simiyu Mutoro
Consumers Federation of Kenya (COFEK)





Mr. Mutoro is a holder of Bachelor of Art (Literature) and Master of Art (Criminology) both from University of Nairobi. He was born in 1975. He has worked in government, private sector and civil society collectively for over 20 years. He is currently the Secretary General of the Consumers Federation of Kenya (Cofek). He has served in various boards of parastatals such as National Water Company and Water Resources Management Authority.

III. MANAGEMENT TEAM



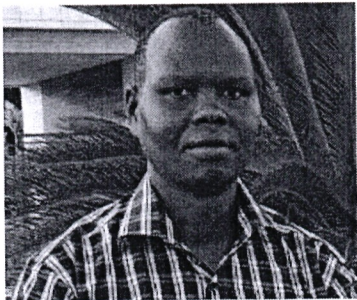
The management team is comprised of the following:

 <p>Ms. Fridah Kaberia; Ag. Executive Director MBA, BA (Econ), CPA(K), CS(K)</p>	<p>The Executive Director is responsible for the day to day operations in the Authority</p>
 <p>Dr. John Akoten; Deputy Director Research, Awareness, Policy and Quality Assurance PhD, MSc, BSc</p>	<p>The Deputy Director is responsible for Awareness, Research, Policy and Quality Assurance and currently the Ag. Executive Director with effect from 24th August 2020.</p>
 <p>Mr. Johnson Adera; Deputy Director Enforcement and Legal services LLM, LLB, CS(K)</p>	<p>The Deputy Director is responsible for Enforcement and Legal Services.</p>

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 <p>Ms. Rephah Kitavi; Deputy Director, Corporate Services Msc. Finance, BA (Econ), CPA (K), CISA</p>		<p>The Deputy Director is responsible for Human Resource, Administration, ICT and Finance</p>
 <p>Mrs. Agnes Karingu; Manager Education and Public Awareness MBA, BSc</p>		<p>The Manager is responsible for Education and Public Awareness.</p>
 <p>Mr. Hassan Kidzuga; Manager Internal Audit MBA (Finance), B.Com, CPA (K)</p>		<p>The Manager is responsible for Internal Audit and Risk management</p>
 <p>Mr. Elijah Ruttoh; Manager Research and Policy</p>		<p>The Manager is responsible for Research, Policy and Knowledge management</p>

ANTI-COUNTERFEIT AUTHORITY (ACA)
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<p>M Econ, B.Ed</p>	
 <p>Ms. Mary Mwinga; Manager Human Resource and Administration MA, BA, Higher Diploma HR</p>	<p>The Manager is responsible for Human Resource and Administration</p>
 <p>Mr. Naylor Mukofu; Manager Legal Services Advocate of the High Court, LLM, LLB</p>	<p>The Manager is responsible for Legal Services</p>
 <p>Mr. Linday Kipkemoi; Ag. Manager Enforcement</p> <p>Masters in Governance, Peace and Security Management and Bachelors of Science.</p>	<p>The Ag. Manager is responsible for Enforcement operations</p>

IV. CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements for the financial year ended June 30, 2020. During the period, we continued to advance our strategic goals towards creating a "Counterfeit free Kenya". The work we do each day is vital to our nation's economy and support to the Government Development "Big 4 agenda". This report is drawn up and presented to the public in our efforts to promote transparency and accountability in accordance with applicable laws in Kenya.

Overview

The financial Year 2019-2020 marked the Authority's 10th anniversary since it was operationalized in June 2010. We look back with great pride and satisfaction on what the Authority has achieved so far. The Authority was able to deliver on its mandate and make further significant milestones despite challenges occasioned by a number of emerging operational factors.

Operating Environment

Amid the COVID-19 pandemic, Kenyans are facing increased number of counterfeits that continue to hurt the manufacturers whose products they copy— thereby endanger lives and threaten public health.

We have sustained momentum of the multi-agency operations with partner Government agencies like the Ministry of Interior, National Police Service, Kenya Ports Authority, Kenya Bureau of Standards, Kenya Revenue Authority and the private sector. This is in line with the implementation framework of the National Action Plan against counterfeits and illicit trade. We have intensified surveillance and enforcement inspections and seizures across the country through intelligence led enforcement operations and consumer focused strategies.

Strategy

The Board has continued to monitor the implementation of the second 5-year strategic plan. This plan was realigned during the year due to emerging global and national economic issues. Among this include the "Big 4 agenda", Africa Agenda 2063, the National action plan to combat illicit trade, the third medium term plan and Vision 2030.

To inform the implementation of the strategic plan, the first National Baseline Survey on the magnitude, prevalence and level of counterfeits and illicit trade in the country was undertaken and published.

We look forward to the launch of the Anti-Counterfeit Authority Integrated Management System (AIMS) aimed at automating ACA's processes as contained in the re-aligned 2019-2022 Strategic Plan.

Risk Management

The Board has committed the Authority to a process of risk management that is aligned to the principles of best practice and corporate governance. Sound assessment of risks enables us to anticipate and respond to changes in our operating environment as well as make informed decisions under conditions

of uncertainty. The risk management process has been embedded in our operating systems and processes so that our responses to risk remain current and dynamic.

Corporate Governance

Strong corporate governance is integral to the Board's long-term success and is essential in delivering ACA's strategy. Thus, the Board continues to strengthen its boardroom capabilities and giving policy direction under the guidance of Mwongozo, the code of governance for state corporations. With regards to excellence in financial reporting and disclosure, ACA was awarded the second runner's up position in the International Public Sector Accounting Standards (IPSAS) Accrual.

Future Outlook

The Authority remains committed to deepening relationship with its stakeholders and key partners including the county governments as it implements the recently launched National Action Plan and implementation framework to Combat Illicit trade.

To enhance the operational efficiency and capacity, the Authority will strive to automate all its processes including the enforcement and depot management. This will enhance the capacity of the Authority to stop the importation of counterfeit goods and also increase transparency and accountability in processing and prosecuting IPR related complaints.

The future will be determined by how well we adopt and embrace change as we work during these unprecedented times of COVID-19 pandemic. The Authority commits to observe the Ministry of Health guidelines for the safety of our staff and clients as we execute our mandate.

Acknowledgement

On behalf of the Board of Directors, I want to appreciate the Ministry of Industrialization, Trade & Enterprise Development, National Treasury, the National Assembly Parliamentary Committee(s) on Trade and Industry, TradeMark East Africa and the Department for International Development (DFID) of the United Kingdom through the British High Commission in Nairobi, Kenya and other stakeholders for their continued support.

I also wish to salute my colleagues in the Board for dedicating their time and effort to steer the Authority towards achievement of this impressive performance. To our management and staff thank you for your diligence and tireless efforts in achieving our goals and objectives. God bless ACA and Kenya.



Ms. Flora Mutahi

Chairperson of the Board

V. REPORT OF THE EXECUTIVE DIRECTOR

Overview

The Anti-Counterfeit Authority has continued to carry out its mandate of combating counterfeiting in Kenya through investigations, prosecutions, public awareness, sensitization and training as well as research.

During the year under review, the Authority made good progress on all areas of its operations and met performance targets set in the annual work plan, derived from the re-aligned Strategic Plan 2019 - 2022.

Performance and utilization of funds

During the period under review, we undertook investigation of 943 cases on intellectual property rights infringements. The value of counterfeit goods seized amounted to Kshs. 314.7 million and the goods destroyed during the period amounted to Kshs. 31.21 million. By the end of the period, the Authority had registered 66 cases in court.

The Authority has embarked on the automation of enforcement case management and depot system through funding from the British High Commission. This is geared towards increasing the efficiency and effectiveness of our operations in order to meet customer needs and expectations.

During the year, the Authority received Kshs. 380,600,000 as recurrent and Kshs. 50,000,000 as development from the National Treasury and raised Kshs. 24,748,178 through A-I-A and recorded 80% budget utilization during the period.

Annual work programme

To implement the re-aligned 2019–2022 Strategic Plan, the Authority developed a comprehensive Balanced Scorecard based work plan which guided the implementation and monitoring of its strategic objectives, initiatives, and performance measures and indicators.

The Authority has been at the forefront of the multi-agency anti-illicit trade efforts as outlined under the implementation matrix of the National Action Plan to Combat Illicit Trade. Under the multi-agency outreach programs, the Authority has held Fifteen (15) County sensitization outreach programs targeting County Security Committees, County Business communities together with the private sector to have a whole society approach in the fight against counterfeits.

On the research side aimed at informing policy and strategy, the Authority carried out the National Baseline Survey on Illicit Trade whose findings were launched during the World Anti-Counterfeit Day in June 2020. Two market intelligence surveys on the electronic and electrical sector and the fertilizer sector in different parts of the country.

Human Capital

The Authority considers staff training as a critical component towards improving work performance. During the year, several training courses were offered particularly to the inspectors. Senior staff were trained on relevant management and strategic leadership training programmes to strengthen the Authority's managerial and leadership capacity.

Future Outlook

The worldwide disruption caused by the COVID-19 pandemic has resulted in numerous impacts on the workplace which has accelerated the Authority's automation process. Thus going forward the Authority will encourage online engagement in enforcement matters including online complaint

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raising, online payments, leverage technology in conducting research surveys, surveillance, intelligence based investigations and prosecution of offenders.

The Authority will also strengthen satellite offices based at the border points which were established in the last two years. This will involve deployment of more staff, equipment, vehicles and automation.

Appreciation

I would like to sincerely thank the Board of Directors, Management and staff of the Authority for their continued guidance, support and dedication. I also extend our sincere gratitude to the Ministry of Industrialization and Enterprise Development, the National Treasury and all our stakeholders for their cooperation and support.

We look forward to greater collaboration with all of you as we endeavour to make Kenya counterfeit-free.



Fridah Kaberia
Ag. Executive Director

VI. REVIEW OF ANTI-COUNTERFEIT AUTHORITY'S PERFORMANCE FOR FY 2019/2020

Section 81 subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Anti-Counterfeit Authority has three (3) strategic priorities and eleven (11) strategic objectives within its Strategic Plan for the FY 2018/2019- 2021/2022. These strategic priorities are as follows:

Priority 1: Data driven awareness, enforcement and prosecution

Priority 2: Strengthen Institutional Capacity

Priority 3: Productive Stakeholder Engagement

The Authority develops its annual work plans based on the above strategic priorities. Assessment of the Board's performance against its annual work plan is done on an annual basis. The Authority achieved its performance targets set for the FY 2019/2020 period for its three (3) strategic pillars, as indicated in the diagram below:

Strategic Objectives	Initiatives/Activities/Sub-activities	Key Performance Indicators	Achievements, FY 2019/20
Strategic Priority 1: Data-driven awareness, enforcement, and prosecution			
S.O 1.1: To change consumer perception and attitudes against counterfeits	To determine the level of awareness and perception about counterfeiting	Level of awareness	66.42%
		% of consumers who can identify counterfeit goods	64.00%
	Package and implement thematic and tactical outreach programmes	Number of awareness programs/activities conducted	25
	Devise anti-counterfeiting training programmes for promotion and enforcement of IP for different stakeholders: LEAs, IPR holders, MSEs, etc	Number of training programs/activities conducted	16
	Establish an anti-counterfeit academy that will deliver trainings virtually as well as in-person	Training manual	Training manual developed
		Concept note	Concept note developed
	Develop IEC materials	IEC materials	IEC materials developed and disseminated
	Leverage media coverage of enforcement and awareness activities	Media coverage	Media coverage done
S.O 1.2: To promote intelligence-led enforcement	Develop and operationalize the IPR recordation system	IPR recordal regulations	The process is 70% complete. IP recordation regulations

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Strategic Objectives	Initiatives/Activities/Sub-activities	Key Performance Indicators	Achievements, FY 2019/20
and enhance the efficiency and effectiveness of investigation and prosecution processes			developed but yet to be gazetted
	Operationalize the compounding regulations	Compounding regulations	Completed, regulations with AG
	To register IPR and suo moto complaints received	Total no. of IPR complaints received	221
		Total no. of suo moto complaints received	722
	Investigate and prosecute IPR cases	Total no. of cases registered in court	66
	Resolution of cases through ADR	No. of cases resolved through ADR	337
S.O 1.3: To ensure the safety and accountability of seized goods	To put in place a depot management system	Depot management system	The system is 70% complete
	Value of seized goods accounted for	Value of seized goods at the depot (Kshs. Million)	314.7
S.O 1.4: To develop a mechanism for continuous intelligence gathering	To develop and implement an intelligence gathering system	Percentage of implementation of the system	40%
	To conduct market intelligence surveys	No. of research surveys conducted	8
Strategic Priority 2: Strengthen institutional capacity			
S.O 2.1: To mobilize and optimize use of financial resources	Resource mobilization through partnerships and collaborations	Number of programmes	17
S.O 2.2: To strengthen internal processes through promotion of good governance, risk management and ISO compliance	Develop and implement efficiency optimization initiatives e.g. ISO, Kaizen, etc.	Number of Internal Quality Audits undertaken	2

Strategic Objectives	Initiatives/Activities/Sub-activities	Key Performance Indicators	Achievements, FY 2019/20
	Develop and implement the risk management framework	Percentage of implementation	80%
	Compliance to Mwongozo Code of Governance for State Corporations	Percentage of implementation	75%
S.O 2.3: To elevate on ICT to drive strategic interventions	Automation of the enforcement case management and depot management system	Percentage of implementation	70%
S.O 2.4: To foster a strong result-oriented culture and customer focus	Implement the performance management system with well-thought out rewards and sanctions	Percentage of implementation	95%
	Initiate an organization-wide cultural transformation program	Culture change training	Culture change training done
	Regularly review HR instruments to ensure compliance with relevant laws and issues	HR manual	HR manual reviewed awaiting approval by SCAC
	Determine the level of customer satisfaction	Customer satisfaction index	83.83%
	Determine the level of employee satisfaction	Employee satisfaction index	71.40%
Strategic Priority 3: Productive stakeholder engagement			
S.O 3.1: To strengthen stakeholder capacity	Develop and deliver capacity building programs (e.g. product knowledge and investigation) targeting relevant partners at the national and county level	Number of product knowledge training	3
	To undertake stakeholder capacity building and awareness	No. of programmes	14
S.O 3.2: To strengthen inter-agency collaboration	Develop and implement the National inter-agency action plan on combating illicit trade	Percentage of implementation	60%
	Establish strong collaboration with the county governments	No. of counties	10 - Nairobi, Busia, Mombasa, Meru, Siaya, Kajiado, Kakamega, Kwale, Uasin Gishu, Taita Taveta

ANTI-COUNTERFEIT AUTHORITY (ACA)
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Strategic Objectives	Initiatives/Activities/Sub-activities	Key Performance Indicators	Achievements, FY 2019/20
		Sign an MoU with CoG	Draft MoU shared with the Council of Governors

The Authority manages performance through the balanced score card system which incorporates targets from the performance contract as well as the aligned strategic plan targets for the year under review.

VII. CORPORATE GOVERNANCE STATEMENT

Introduction

The Board regards corporate governance as pivotal to the attainment of the Authority's core mandates and ensuring that ACA remains effective. The Board recognizes that for governance to be effective, it must be realized through leadership and collaboration, with the Board at the helm leading by example and complimenting the senior management. This enables effective and efficient decision making and gives a structural aid for the management to discharge their duty to promote the success of ACA while taking into account the interest of stakeholders. This statement provides necessary information to enable all stakeholders to evaluate the application of ACA's governance and ethical obligations, that ACA has complied with the obligations and therefore satisfied its obligations thereunder.

The Board Charter

The Charter is a critical corporate governance tool of the Board which documents the composition, roles and responsibilities of the Board. This ensures effectiveness of each Director's contribution in the governance of the Authority by facilitating independent judgement, decision making and professional competencies. The Charter provides guidelines to the Board in the exercise of its mandate of:

- appointment, induction, skills requirement;
- articulation of, and commitment to, respect of the rights of stakeholders;
- separation of roles and responsibilities of the boards individual director;
- terms of reference for all board members.

The Charter does not replace or supersede any statutory laws and regulations that govern the Authority.

The Board Size, Composition & Appointment

The Board is the highest governing body of the Authority. The Board exercises leadership, enterprise, integrity and judgment in directing the Authority so as to achieve continuing prosperity for the Authority and its stakeholders. The constitution of the Authority's Board is stipulated by the Anti-Counterfeit Act, No. 13 of 2008. It comprises of the following 9 members;

1. The Chairperson;
2. The Principal Secretary in the Ministry for the time being responsible for matters relating to trade or his or her representative;
3. The Principal Secretary in the ministry for the time being responsible for matters relating to finance or his or her representative;
4. The Attorney-General or his representative;
5. The Commissioner-General of the Kenya Revenue Authority, who may be represented by the Commissioner of Customs;
6. The Managing Director of the Kenya Bureau of Standards;
7. The Chief Executive of the Kenya Association of Manufacturers or his representative;
8. Two members appointed by the Cabinet Secretary, not being public officers with knowledge on intellectual property rights, consumer protection or trade.

The Executive Director of the Authority is an ex officio Member of the Board.

Oversight role of the Board

The board provides strategic direction with a focus on consistent performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the Authority. The responsibilities of the board are clearly spelt out in both the ACA Act and the Board Charter. The board defines the purpose of the Authority, its strategic intent, objectives and its values. It ensures that procedures and practices are in place to protect ACA's assets and reputation.

The board retains full and effective control over ACA and monitors management's implementation of the plans and strategies set by the board; it ensures ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices.

Specifically, the Board is charged with the following responsibilities: -

- (a) Defining the purpose of the ACA, that is, its strategic intent and objectives, and its values which should be clear, concise and achievable;
- (b) Strategy formulation and ensuring there are appropriate policies, systems and structures to effectively and successfully implement the strategies;
- (c) Provide leadership within a framework of prudent and effective structures which enable risks to be assessed;
- (d) Identify the opportunities as well as the principle risks in its operating environment including the preparation of the risk policy plans/risk management policies and implementation of appropriate measures to manage such risks or anticipated impact on the operations;
- (e) Review on a regular basis the adequacy and integrity of the internal controls, acquisition and divestures, management information systems including compliance with applicable laws and regulations;

Board Committees and Responsibilities

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.

1. The Human Resource, Finance & General Purposes committee; Reviews the authority's annual budgets and procurement plans, quarterly and annual financial reports. The Committee also provides oversight on organizational structure, human resource policy, capacity enhancement and administration issues within the organization.
2. Technical Committee; Charged with providing oversight on the Authority enforcement and legal mandates. Also provides oversight on the Authority's research, monitoring, education and awareness functions.

3. Audit and Risk Committee; Plays a critical role in reviewing financial information, and ensuring that the system of internal controls is effectively administered.

Following is the list of all Board Committee members

HR, Finance & General Purpose Committee	Technical Committee	Audit & Risk Committee
Phyllis Wakiaga (Chair)	Bernard Njiraini (Chair)	Stephen Mutoro (Chair)
Stephen Mutoro	Michael Onyancha	Michael Onyancha
Joel Bett	Phyllis Wakiaga	Joel Bett
Major (Rtd) Kariuki	Major (Rtd) Kariuki	Bernard Njiraini
Emmanuel Bitta	Emmanuel Bitta	Major (Rtd) Kariuki

Board Meetings

During the year under review the Authority's Board held 11 full board meetings. The Human Resource, Finance & General Purposes committee held 8 meetings; Technical Committee held 5 meetings and Audit & Risk Committee held 8 meetings which were attended as follows:

Board Member	HR, F & GP Committee	Technical Committee	Audit Committee	Full Board
Flora Mutahi	N/A	N/A	N/A	11
Bernard Njiraini	N/A	1	0	4
Phyllis Wakiaga	8	4*	N/A	9**
Joel Bett	7	N/A	7	11
Major (Rtd) Kariuki	7	4	2	8
Emmanuel Bitta	8	5	N/A	10
Michael Onyancha	N/A	4	8	11
Stephen Mutoro	5	N/A	8	10

* Mr. Joseph Wairiuko represented Phyllis Wakiaga in the Technical Committee.

** Mr. Joseph Wairiuko represented Phyllis Wakiaga in 3 full board meetings

Board Remuneration

In respect of every Board meeting, a member present is entitled to a sitting allowance of Kshs. 20,000 per sitting, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations. The Chairman receives a monthly honorarium of Kshs. 80,000 and Kshs. 7,000 airtime allowance.

Conflict of Interest

Board members are obliged to fully disclose to the Board during meetings any real or potential conflict, which comes to any member's attention, whether direct or indirect. Where a member discloses the conflict of interest he or she is obligated to exclude himself/herself from any discussion or decision over the matter in question.

Board Induction and Training

New board members are inducted by the Chair of the Board and the Executive Director on the operations of the Authority and the role of the member in the board. The Authority also builds the capacity of the board to enable them to have an effective oversight role on the management.

Board Evaluation

Board evaluation is key in assessing the performance, efficiency and effectiveness of an organization. Regular performance evaluations also enable the Authority to review its strategies with a view to ensuring continuous growth and sustainability. During the year, a Board evaluation exercise was carried out and it was conducted by the State Corporations Advisory Committee (SCAC).

Code of Conduct and Ethics

At ACA, good corporate governance is engrained as a valuable contributor to the long-term success of the Authority through creation of the right culture throughout the organization. The core values of diligence, integrity and vigilance steer our decision-making processes. The Authority conducts its operations in compliance with relevant legal principles and high ethical standards. The Board, Management and employees are required to observe the code and high standards of integrity. Further, these standards are applied in all dealings with customers, suppliers and other stakeholders.

To achieve corporate goals, employees are expected to observe the highest standards of professionalism. Employees have a responsibility to contribute to the good governance of the Authority and to maintain its reputation for integrity both within and outside the workplace. The code of conduct provides fundamental principles and guidelines that govern the ethical and legal obligations of all employees at all levels. All employees are bound by the provisions of the Public Officers Ethics Act and any other statutes and regulations issued from time to time.

Management Committee

The Committee is chaired by the Executive Director and comprises all departmental heads, divisions and units. The Committee is responsible for executing and implementing strategies adopted by the Board. It considers policies and strategic measures for purposes of ensuring optimal performance of the Authority. The Executive Director provides the pivotal link between the Management and the Board.

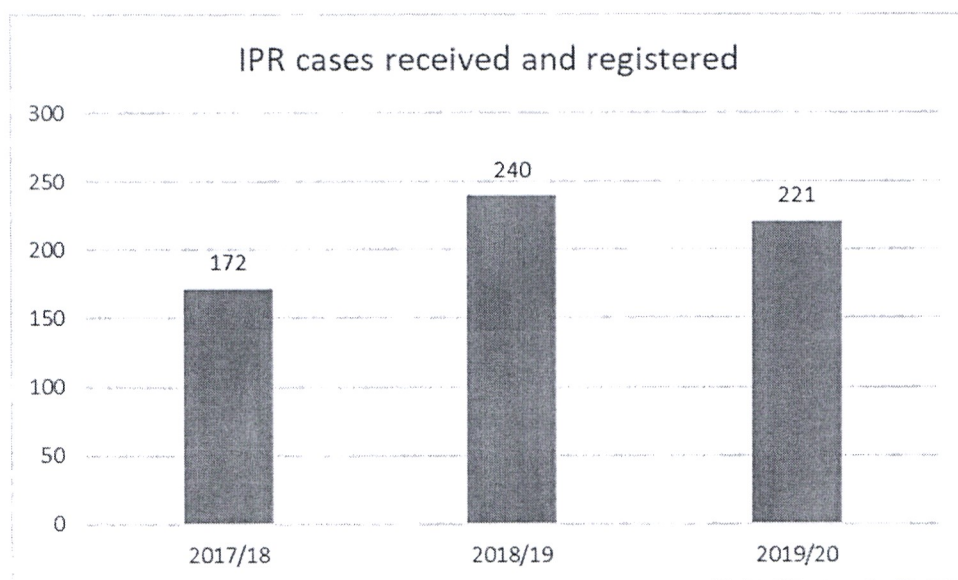
VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

Enforcement and Legal Services

1. Intellectual property right infringements

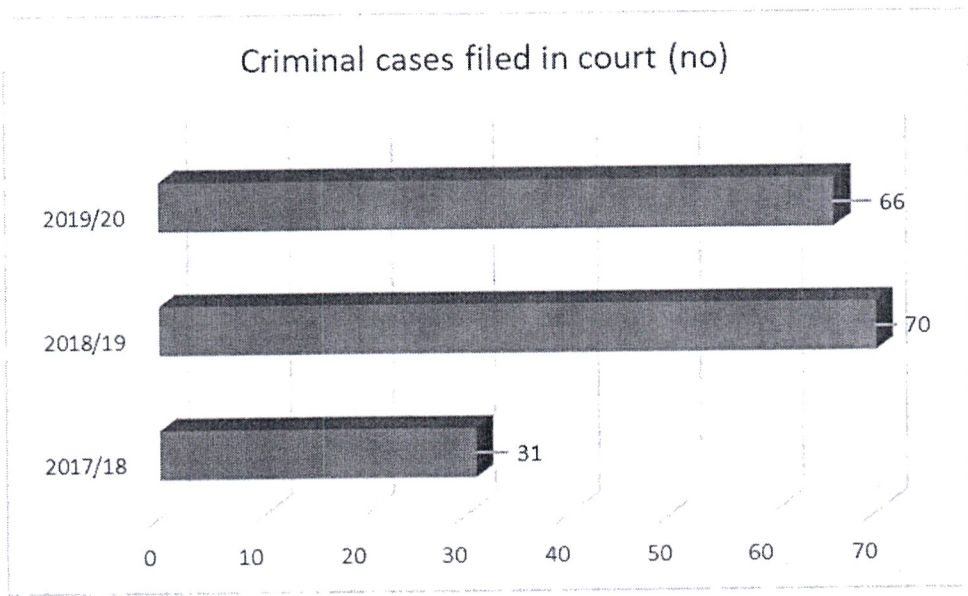
In the last three years, the number of IPR cases received and registered by the Authority increased from 172 cases in the FY 2017/18 to 240 cases in FY 2018/19 but reduced slightly to 221 cases in the FY 2019/20. The decline in cases is attributed to the outbreak of the Covid 19 pandemic in the last quarter of the financial year.



The Authority also registered 722 consumer complaints.

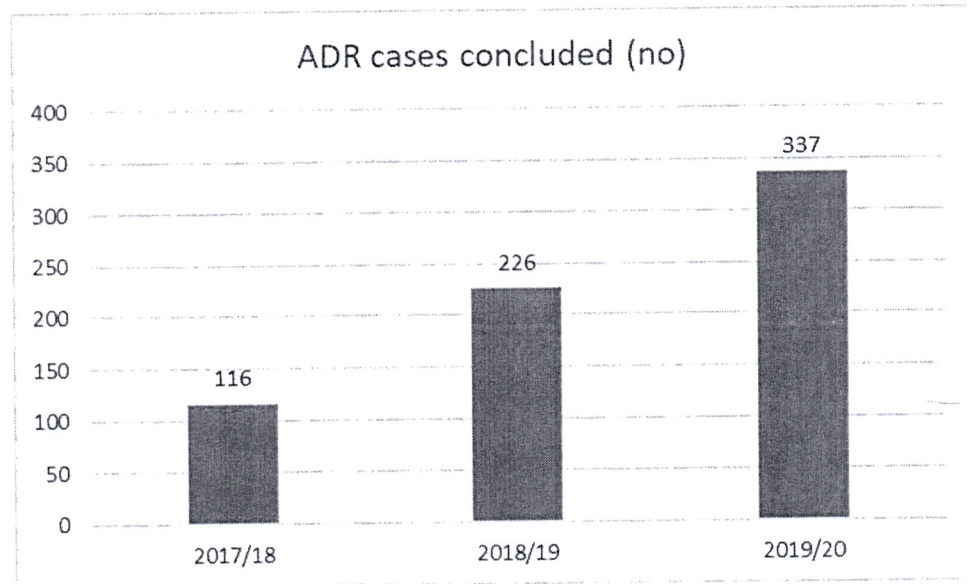
2. Criminal Cases on Intellectual property right infringements

Cases arising from IPR infringements can be resolved through the courts or Alternative Dispute Resolution process. In the last three years, the number of criminal cases increased from 31 cases in FY 2017/18 and this doubled in the two subsequent years to 70 and 66 cases in FY 2017/18 and FY 2019/20, respectively.



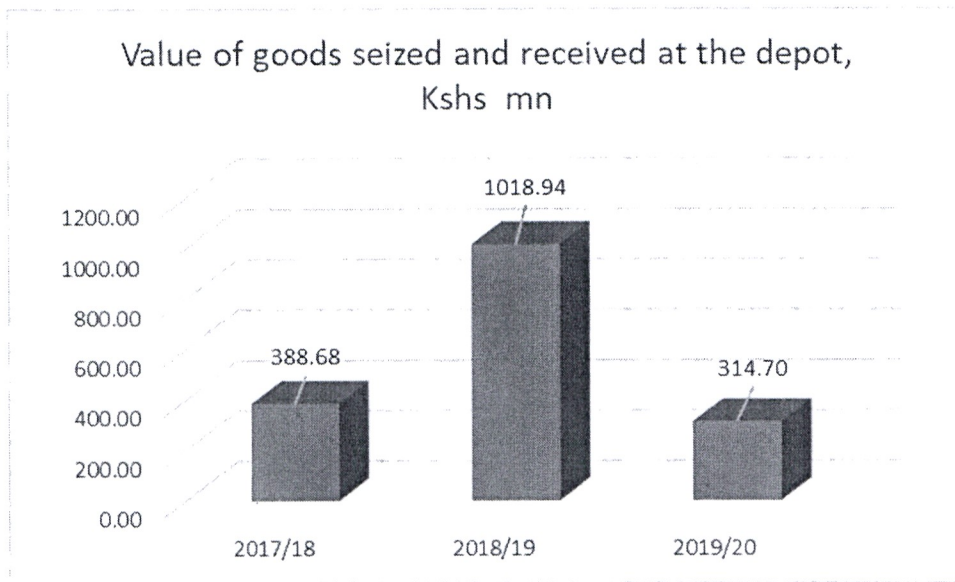
3. IPR cases resolved through ADR Process

A large proportion of IPR cases were resolved through the ADR process. It is easier for parties to resolve IPR disputes through the ADR than the court process which is expensive and time consuming. During the periods under review, the Authority resolved 116 cases in FY 2017/18, which doubled to 226 cases in FY 2018/19 and almost tripled in FY 2019/20 to 337 cases.



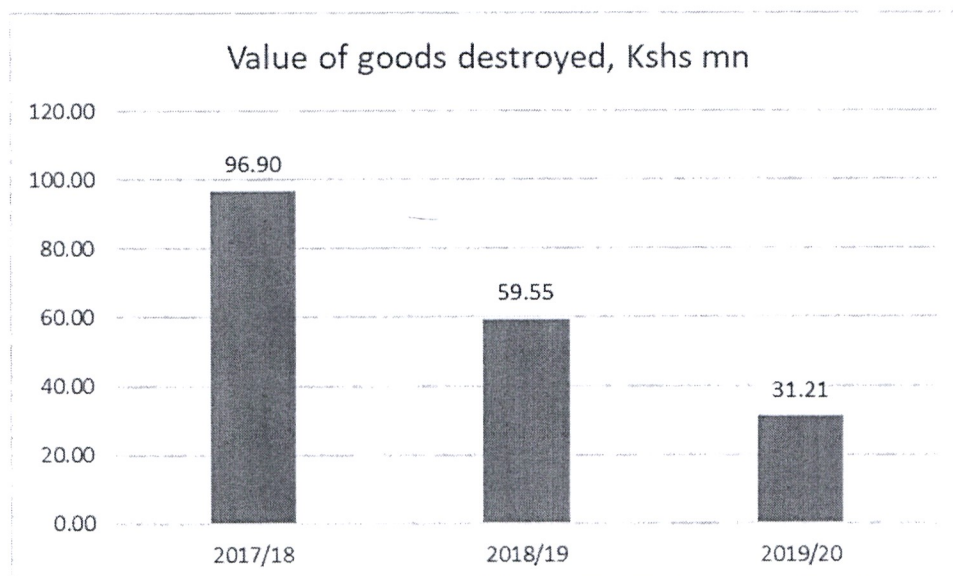
4. Value of Seized Goods

The Anti-Counterfeit Act, 2008 requires any suspected infringing goods be seized and deposited at a counterfeit goods depot. During the reporting period, the value of suspected counterfeit goods increased from Kshs. 388.68 million in FY 2017/18 to Kshs. 1018.94 million in FY 2018/19 but reduced to Kshs. 314.70 million in FY 2019/20. The substantial decline in value of goods seized is as a result of exit from the Kilindini Port (Mombasa) and Inland Container Depot Nairobi.



5. Value of Destroyed Goods

The Anti-Counterfeit Act, 2008 also requires that any condemned goods be destroyed in accordance to the NEMA regulations. There are three instances in which seized goods are marked for destruction: if the courts have determined that they are counterfeit and forfeit to the state for destruction; goods have been abandoned by the suspect; or the suspect and IPR owner/agent enter into an ADR process and forfeit the goods to the state for destruction. The value of goods destroyed by the Authority reduced from Kshs. 96.90 million in FY 2017/18 to Kshs. 59.55 million in FY 2018/19 and further to Kshs. 31.21 million in FY 2019/20. The decline in value of goods destroyed is due to postponement of the destruction of goods in Mombasa and Eldoret estimated at Kshs. 120 million as a result of Covid 19 outbreak government restrictions.



6. Purchase of Counterfeit Goods Depot

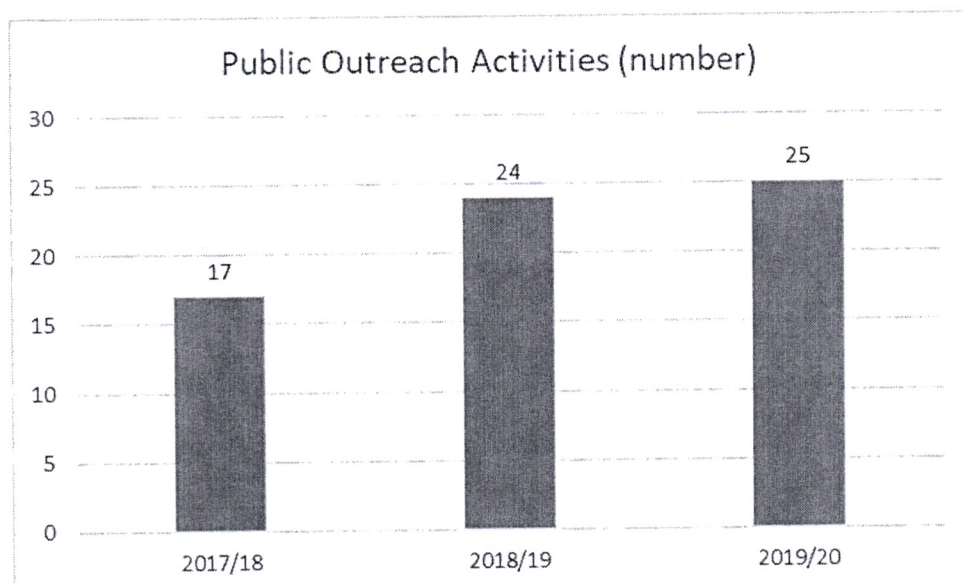
The Authority had planned to purchase one seized goods holding depot in the financial year. This is a three-year project that involves the acquisition of 4 seized goods holding depots (10,000 sq. feet each) at strategic locations to store counterfeit goods as exhibits to be produced in law courts (at a cost of Kshs 212.5 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.

Research and Awareness

1. Public Awareness

To reduce the demand for counterfeit goods and hence the supply, creating awareness to the public and other stakeholders on the dangers of counterfeits to health and safety and to the economy at large is critical. In the last three years, the Authority carried out a total of 66 public awareness activities. The number of activities were intensified in FY 2018/19 and FY 2019/20 during the multi-agency activities and they rose from 17 activities in FY 2017/18 to 24 and 25, in the last two years, respectively.



2. Sensitization/Training on Counterfeiting

The Authority is also mandated to devise and create training programs on counterfeiting. This is aimed at building the capacity of various stakeholders to equip them with the necessary skills and knowledge to handle counterfeiting issues. For instance, training of the IPR holders/agents are meant to help them understand their role in raising IPR complaints and providing relevant information for the successful prosecution of IPR cases, while the training for law enforcement officers and the judiciary are meant to equip them with skills to investigate and prosecute IPR infringements. During the reporting period, the Authority carried out 16 sensitization/training activities for each of the three years under review. These activities were carried out at the counterfeit prone areas including the border points in cooperation with law enforcement agencies, judiciary, county government and county security committees.

3. Research activities

Research activities at the Authority are designed to inform policy, enforcement and awareness activities. Research activities also cover internal surveys to establish the extent to which internal and external stakeholders are satisfied with the Authority's services.

The following are the research activities carried out in the year under review:

- National baseline survey on the extent of counterfeiting and illicit trade in Kenya
- National consumer survey on awareness of counterfeiting and other forms of illicit trade in Kenya
- Market intelligence survey to inform policy, awareness, enforcement and strategy
- Sector-specific survey to identify industry constraints and mitigation measures
- Undertook a survey to determine the effects of ACA’s exit from the port of entry
- Customer satisfaction survey
- Employee satisfaction survey
- Corruption perception survey among the employees of the Authority

Corporate Services

1. Government Grants

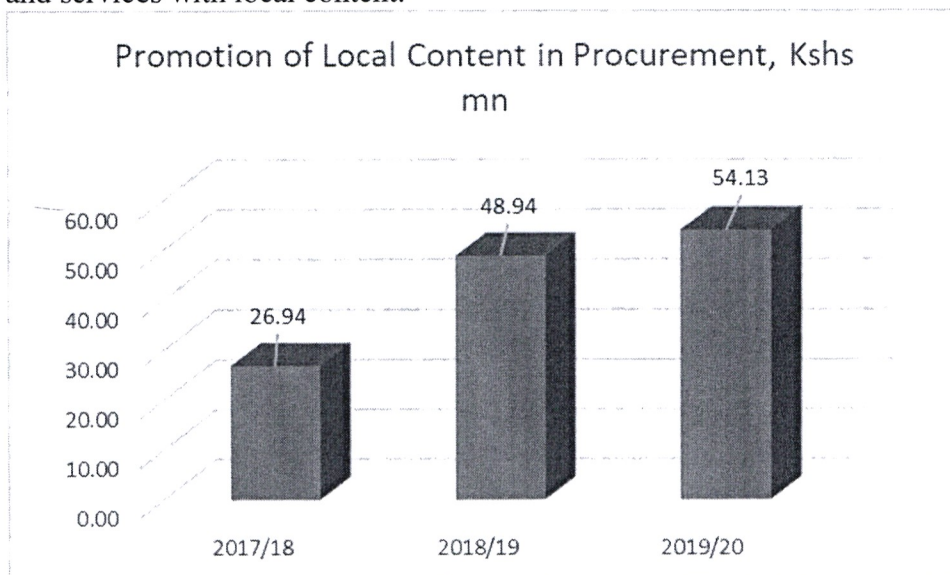
The Authority received recurrent grants of Kshs. 380,600,000 and Kshs. 50,000,000 as development grants during the period of review. This is an increase from the previous period which had an allocation of Kshs. 374,844,436 recurrent grants.

2. Appropriation-in-Aid

The Authority raises appropriation-in-aid (A-in-A) from the laying of complaints by the IPR holders or agents and disposal of counterfeit goods. During the period under review, the Authority raised Kshs. 24.7 million which was an increase from the previous period with a revenue collection of Kshs. 21.49 million.

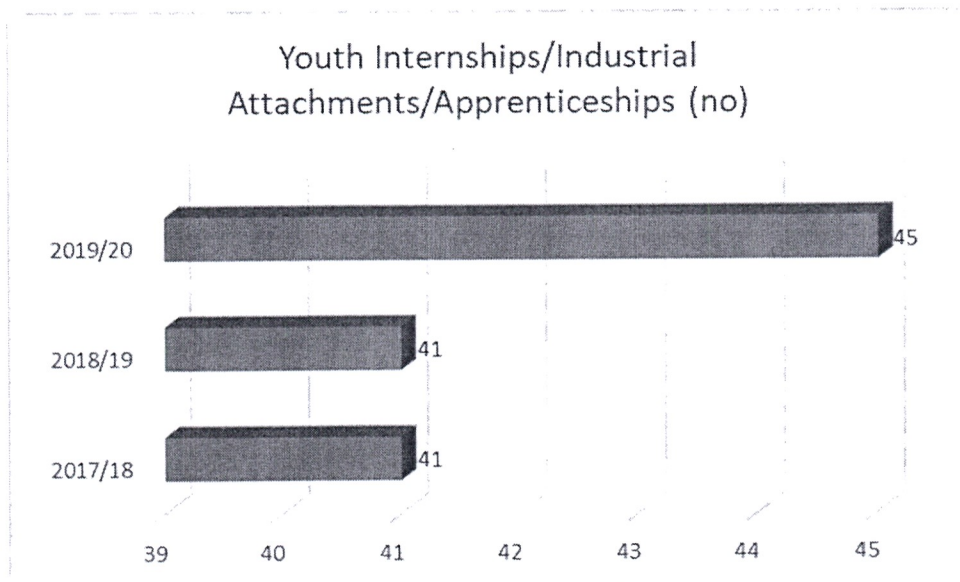
3. Promotion of Local Content in Procurement

Equally, the Authority has been implementing the Buy Kenya, Build Kenya policy by procuring goods and services with local content.



4. Youth Internships/Industrial Attachments

The Authority has been offering internship and industrial attachment opportunities to the youth. During the review period, the Authority engaged 41 youths each in the FY 2017/18 and FY 2018/19 and 45 youths in the FY 2019/20.



Authority’s Compliance with statutory requirements

The Authority complied with all its statutory obligations in the reporting period. These are VAT, PAYE, NHIF, NSSF and HELB.

Key projects the Authority is implementing

The Authority secured a grant from the UK government (DFID) through TMEA of a sum of USD 1,500,000 to fund the following projects:-

1. Digitization of ACA operations
2. National baseline survey

The funding is envisioned to facilitate the collection of data on counterfeiting, enhance public awareness on counterfeiting and automate internal and external processes in the fight against counterfeiting. This will enable the Authority to better and efficiently serve its stakeholders nationally, regionally and globally.

The financing agreement was signed on 20th August 2018 between ACA and TMEA and witnessed by the chairperson of ACA Board.

To oversee the implementation of the projects, a project steering committee (SC) headed by CEOs of ACA and TMEA and a project implementation committee (PIT), composed of technical officers from ACA and TMEA, were constituted. The project steering committee (SC) provides oversight and strategic direction while the project implementation team (PIT) is in charge of the day-to-day project activities. The projects cover a four-year period from FY 2018/19 to FY 2021/22.

The following are the milestones of the projects:

Deliverable	Update
National Baseline Survey on Counterfeit and other forms of Illicit Trade	The following are the key achievements for the reporting period: <ul style="list-style-type: none"> • Final review of the final drafts of the Baseline report on counterfeit and other forms of illicit trade by the Technical Committee and the Executive Forum • Training of Stakeholders (Government Agencies and Private Sector firms) on Data • Launch of the Baseline report on counterfeit and other forms of illicit trade on 10th June 2020. • Launch of the National Illicit Trade Observatory on 10th June 2020.
Development of the ACA Integrated Management System (AIMS)	Achievements for the reporting period: <ul style="list-style-type: none"> • Development of pending system content. • System Development (Ongoing) • System integration – Payment gateway(ongoing)
ICT Infrastructure upgrade	Achievements for the reporting period: <ul style="list-style-type: none"> • Concluded the procurement process and contracted Computech Limited in May 2020 to undertake the ICT Infrastructure upgrade. • On boarding of the technology partner. • High Level and Low Level Infrastructure designs. • Configuration and migration to Microsoft Office 365 (Email, Teams, Sharepoint and One drive - ongoing).
Change Management	Key Achievements for the reporting period <ul style="list-style-type: none"> • Design and printing of IEC materials for the launch of the National Baseline Survey. • Training of Government officers and IPR Owners on the National illicit Trade Observatory.

Risk Management

The Board confirms its responsibility for the Authority's system of internal controls, including taking reasonable steps to ensure that adequate systems are being maintained. Effective internal control systems have been operationalized to assess and mitigate any risks the Authority may be exposed to. A comprehensive policy on the risk management framework to identify, measure and manage all key risks has been put in place by the Board and integrated into the overall management reporting structure. These risks are further demarcated onto the Strategic Corporate Risk Matrix which is closely monitored by the Board. The Audit and Risk Committee of the Board, through its delegated mandate from the Board, regularly reviews the effectiveness of the internal control system. The Head of the Internal Audit Department reports directly to the Board's Audit and Risk Committee.

Enterprise Risk Management

ACA remains committed to robust risk management practices as an integral part of good management. The Board, through its Audit and Risk Committee, exercises an oversight role on the Enterprise Risk Management (ERM) processes implemented by Management. During the year under review, ACA continued to embed a risk-awareness culture aimed at supporting strategic and operational objectives.

Key corporate and emerging risks related to specific strategic objectives were assessed, evaluated and are closely monitored by the Board and Management.

Our risk management framework, allows us to identify, measure, manage and monitor strategic and operational risks across the Authority. The framework provides management with a clear line of sight over risk to enable informed decision making.

Key Risks

ACA’s key risks and mitigation measures are shown in the table below:

Key Risks and Mitigations

No	Risk	Risk Driver	Risk Rating	Mitigation strategies
1	Inadequacy in enforcement of IPR	Inadequate capacity to independently verify IP violations	Extreme	Engage IPR owners to offer certified brand training to enforcement officers
		Rapid technological advancements		Enhance market surveillance and research
		Inadequate inter agency collaboration and coordination		Establish information sharing channels
		Porous borders		Develop and implement an inter-agency framework
		Changes in policy environment		Establish presence at the border points
2	Insecurity of staff	Insufficient armed police officers during enforcement operations	High	MOUs with NPS for facilitation during operations
3	Financial risks	Inadequate funding	Moderate	Implement the resource mobilisation strategies
		Delay in exchequer disbursements		Ensure timely requests for exchequer disbursements
4	Discontinuity of operations in the event of a disaster	Inadequate business continuity and Disaster recovery plans	Extreme	Develop and implement business continuity and disaster recovery plans

Material errors in statutory or financial obligations

There are no material errors in statutory or financial obligations.

The Authority’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.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

ACA exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on three pillars: putting the customer/citizen first, enforcement and promotion of IPR, and improving operational excellence.

Below is a brief highlight of our achievements in each pillar in the review period;

1. Sustainability strategy and profile

The Authority being a corporate entity with perpetual existence lives in an interactive manner with the greater community. It is in our interest to align and integrate our service delivery model to address fundamental challenges that face our society in the spirit of Sustainable Development Goals – the global development agenda to be achieved by 2030.

As a government Agency, we not only aspire to achieve our mandate but also to act as good corporate citizens within the communities and environment we reside in.

2. Environmental performance

The Authority is implementing a strategy to go paperless by automating the enforcement case management and depot management. This follows successful implementation of a paperless board and management meetings.

In an effort to comply with environmental standards in destruction of counterfeit goods, the Authority procures NEMA certified destruction facilities. The Authority also participated in planting of trees during counterfeit goods destruction events. We also participated in this year's Government driven tree planting at the Sibor Forest in Elgeyo Marakwet County. These are efforts geared towards Environmental sustainability through afforestation and control of pollution and Soil erosion.

Due to the environmental impact and limited capacity of destruction facilities available, the Authority has had constraints to destroy fluorescent counterfeit goods seized.

3. Employee welfare

ACA Complies with relevant laws on affirmative action. The ACA Human Resource policy respects diversity in terms of gender, disability, age, national cohesion principles among others. ACA HR policy has guidelines on recruitment of staff, employee welfare with a generous medical cover, training and upskilling as well as sanction and reward system.

In order to improve safety and health at the work place, ACA has a management committee to ensure safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

During the reporting period, we initiated a Change Management Program with Consultants from the Institute of Human Resource Management, Nairobi, Kenya. These efforts are meant to equip employees embrace change management as a way of life in the ever-changing business environment.

4. Market place practices-

The Authority has several management committees to address Integrity, Ethics and anti-corruption issues within the organization. We have in place the Corruption Prevention Committee as well as the Public Complaints Committee with dedicated online and telephone reporting platforms for confidential reporting to safeguard consumer inquires and interests.

We comply to the service delivery charter. The Authority treats its own suppliers responsibly by honouring contracts and respect payment timelines. We promote fair trade practices through our Public education and awareness programs on Intellectual Property Rights thus spurring innovation.

5. Community Engagements

The rising spread of the COVID-19 pandemic in Kenya and globally, the Authority donated 3,000 pieces of facemasks to Kenya Prison Service at Nairobi's Industrial Area Prison facility to ensure protection of staff as well as prisoners against coronavirus.

The correctional facility is in the neighbourhood of the ACA Headquarters and is a vulnerable community due to the high number of visitors and persons confined at the facility making them high risk area for contracting the deadly virus.

Through the mainstream and social media, the Authority has been able to sensitize the general public on dangers of counterfeit products particularly relating to face masks and sanitizers.

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020, which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority 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; devise and promote training programs on combating counterfeiting; co-ordinate with national, regional or international organizations involved in combating counterfeiting; Advise the government through the Cabinet Secretary on policies and measures concerning the necessary support, promotion and protection of intellectual property rights as well as the extent of counterfeiting; and carry out inquiries, studies and research into matters relating to counterfeiting and the protection of intellectual property rights.

Results

The results of the Authority for the year ended June 30, 2020 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 Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board



Fridah Kaberia
Ag. Executive Director

Date: 08/07/2021

XI. 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 Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

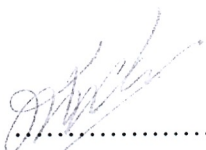
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority'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 Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2020 and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority'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 Authority 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 Authority's financial statements were approved by the Board on 22nd June, 2021 and signed on its behalf by:


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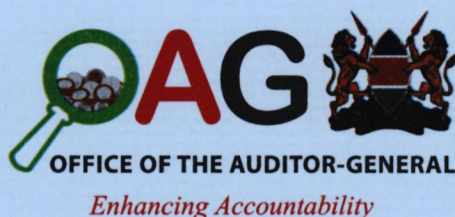
Chairperson of the Board


.....

Ag. Executive Director

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ANTI-COUNTERFEIT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Anti-Counterfeit Authority set out on pages 1 to 35, which comprises the statement of position as at 30 June, 2020, the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of the Anti-Counterfeit Authority as at 30 June, 2020 and its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Anti-Counterfeit Act, 2008 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Contingent Liability

As previously reported, review of records revealed pending legal proceedings against the Authority that may, if successful, have significant impact on its operations. This includes five (5) civil cases with a contingent liability of Kshs.9,431,000 which had adverse rulings but the Authority appealed against the ruling. There is also a case where an accused was charged with possession of counterfeit electric bulbs and accessories but was acquitted of the charges in a Court of Law in 2015. However, the accused person and others

instituted a civil case at Milimani Law Courts in 2016 seeking for special damages of Kshs.603,500,000 against the Authority for unlawful arrest, malicious prosecution and destruction of property. Although, the Authority released part of the goods seized to accused persons in July, 2015, they complained that the remaining goods had been destroyed and they could not take destroyed or damaged goods. Further, there were other pending contingent liabilities amounting to Kshs.21,622,418 as at 30 June, 2020.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Information and Communications Technology

The Authority in their Strategic Plan formulated various strategic objectives which include integration of Information and Communication Technology (ICT) in operations and to promote good governance. To achieve the objectives, the ICT function is required to

develop and implement an efficient framework for data integrity and ICT security. However, as at the time of audit, Management had not put in place the following controls:

- Information Technology (IT) Strategic Plan that supports business requirements and ensures that IT spending remains within the approved IT Strategic Plan.
- A formal, documented and tested emergency procedure.
- IT Continuity Plan and Disaster Recovery Plan kept off-site; backups stored in a secure offsite storage facility.

In the circumstances, failure to develop and implement Business Continuity Plan and Disaster Recovery Plan and establish off-site back up facilities exposes the Authority to possible loss of business in the event of a disaster.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the 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 Authority 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 Authority's ability to continue as a going concern. 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 Authority to cease to continue as a going concern.
- 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 Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 December, 2021

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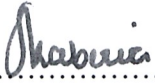
**XIII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**


	Note	2019-2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Recurrent – Government grant	6	380,600,000	374,844,436
		380,600,000	374,844,436
Revenue from exchange transactions			
Rendering of services	7	24,748,178	21,474,194
Other income	8	300,400	19,325
		25,048,578	21,493,519
Total revenue		405,648,578	396,337,955
Expenses			
Use of goods and services	9	108,050,507	126,569,945
Employee costs	10	235,885,360	194,717,140
Remuneration of Directors	11	9,837,045	11,385,372
Depreciation and amortization expense	12	22,772,961	28,579,297
Repairs and maintenance	13	4,144,066	4,941,754
Total expenses		380,689,939	366,193,508
Other gains			
Gain on foreign exchange transactions		54,639	-
Surplus for the period		25,013,278	30,144,447


**XIV. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	2019-2020 Kshs	2018-2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	14	435,360,049	335,760,949
Current portion of receivables from exchange transactions	15(a)	8,663,863	10,738,725
Receivables from non-exchange transactions	16	-	516,400
Inventories	17	4,076,804	3,767,291
		448,100,716	350,783,365
Non-current assets			
Property, plant and equipment	18	33,481,012	54,414,027
Intangible assets	19	137,708	999,193
Long term receivables from exchange transactions	15(b)	33,944	-
		33,652,664	55,413,220
Total assets		481,753,380	406,196,585
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	7,289,598	12,113,536
Current Provisions	21	800,000	600,000
Non-Current Provisions	22	8,928,897	3,557,061
Employee obligation – Net Pay	23	-	113,899
Ministry of Public Service	24	-	90,482
Total liabilities		17,018,495	16,474,978
Net assets			
Reserves – Self insurance		115,874,996	115,874,996
- Development		112,500,000	62,500,000
- Revaluation		15,904,628	15,904,628
Accumulated surplus		220,455,261	195,441,983
Total Net assets		464,734,885	389,721,607
Total net assets and liabilities		481,753,380	406,196,585

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


.....
Ag. Executive Director
Fridah Kaberia


.....
Head of Finance
Ms. Rephah Kitavi
ICPAK No: 11437


.....
Chairperson of the Board
Ms. Flora Mutahi

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**XV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020**

	Reserves				Total Kshs
	General reserve	Development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	
	Kshs	Kshs	Kshs	Kshs	
At July 1, 2018	116,374,996	12,500,000	15,904,628	165,297,536	310,077,160
Surplus for the period	-	-	-	30,144,447	30,144,447
Depreciation	-500,000	-	-	-	-500,000
Development Grants received during the year		50,000,000			50,000,000
At June 30, 2019	115,874,996	62,500,000	15,904,628	195,441,983	389,721,607
At July 1, 2019	115,874,996	62,500,000	15,904,628	195,441,983	389,721,607
Surplus for the period		-	-	25,013,278	25,013,278
Depreciation	-	-	-	-	-
Development Grants received during the year	-	50,000,000	-	-	50,000,000
At June 30, 2020	115,874,996	112,500,000	15,904,628	220,455,261	464,734,885

Note:

1. The Authority maintains general reserves to be used both for purchase of fixed assets and fund day-to-day operations of the Authority.
2. The development reserve is for acquisition of depot to be used for storage of seized suspected counterfeit goods.

**XVI. STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019-2020 Kshs	2018-2019 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6	380,600,000	374,844,436
Rendering of services	7	24,748,178	21,274,194
Other income	8	300,400	19,325
Foreign exchange gain		54,639	-
Total Receipts		405,703,217	396,337,955
Payments			
Compensation of employees	10	(235,885,359)	(194,717,140)
Remuneration of Directors	11	(9,837,045)	(11,385,372)
Repairs and maintenance	13	(4,144,066)	(4,941,754)
Use of goods and services	9	(108,050,507)	(126,569,945)
Total Payments		(357,916,977)	(337,614,211)
Net cash flows from operating activities		47,786,240	58,723,744
Cash flows from investing activities			
Development grant	6	50,000,000	50,000,000
Purchase of property, plant and equipment	18	(978,460)	(39,637,272)
Purchase of intangible assets			(115,000)
Decrease/ increase in current receivables		2,791,320	(1,423,893)
Net cash flows used in investing activities		51,812,860	8,823,835
Net increase/(decrease) in cash and cash equivalents		99,599,100	67,547,579
Cash and cash equivalents at 1 JULY		335,760,949	268,213,370
Cash and cash equivalents at 30 JUNE	14	435,360,049	335,760,949

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs
Revenue										
Government grants – Recurrent	380,600,000	-	-	-	380,600,000	380,600,000	380,600,000	-	-	-
Rendering of services	17,000,000	3,000,000	3,000,000	20,000,000	24,748,178	24,748,178	24,748,178	4,748,178	4,748,178	4,748,178
Other income	-	-	-	-	300,400	300,400	300,400	300,400*	300,400*	300,400*
Foreign exchange gain	-	-	-	-	54,639	54,639	54,639	54,639*	54,639*	54,639*
Total income	397,600,000	3,000,000	3,000,000	400,600,000	405,703,217	405,703,217	405,703,217	5,103,217	5,103,217	5,103,217
Expenses										
Compensation of employees	260,595,000	-	-	260,595,000	235,885,359	235,885,359	235,885,359	24,709,641	24,709,641	24,709,641
Remuneration of Directors	10,000,000	-	-	10,000,000	9,837,045	9,837,045	9,837,045	162,955	162,955	162,955
Repairs and maintenance	4,500,000	1,300,000	1,300,000	5,800,000	4,144,066	4,144,066	4,144,066	1,655,934	1,655,934	1,655,934
Use of Goods and services	112,505,000	721,540	721,540	113,226,540	108,050,507	108,050,507	108,050,507	5,176,033	5,176,033	5,176,033
Depreciation	-	-	-	-	22,772,961	22,772,961	22,772,961	-	-	-
Total expenditure	387,600,000	2,021,540	2,021,540	389,621,540	380,689,938	380,689,938	380,689,938	31,704,563	31,704,563	31,704,563
Surplus for the period	10,000,000	978,460	978,460	10,978,460	25,013,279	25,013,279	25,013,279	-	-	-

Notes to explain the variance:

- Budget reallocations were done by the Budget Implementation Committee due to arising needs in the Authority
- The surplus in the budget was for procurement of capital items.
- Compensation of employees - the salaries (Kshs. 21,540,460), medical cover and WIBA for new employees (including replacement officers) who were to join the Authority in January but are yet to be recruited.
- Repairs and maintenance – this budget is provided for use on need basis.
- Depreciation - This is a non-cash item hence not budgeted for.

* Revenue from other income and foreign exchange gain are not budgeted for.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Anti-Counterfeit Authority 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 Authority is wholly owned by the Government of Kenya and is domiciled in Kenya.

The Authority’s principal activity is enlighten and inform the public on matters relating to counterfeiting; combat counterfeiting, trade and other dealings in counterfeit goods in Kenya; devise and promote training programs on combating counterfeiting; co-ordinate with national, regional or international organizations involved in combating counterfeiting; Advise the government through the Cabinet Secretary on policies and measures concerning the necessary support, promotion and protection of intellectual property rights as well as the extent of counterfeiting; and carry out inquiries, studies and research into matters relating to counterfeiting and the protection of intellectual property rights.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The Authority’s financial statements have been prepared on a historical cost basis except for the measurement of revalued amounts of certain property, plant and equipment at fair value. The preparation of the financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority’s accounting policies.

The financial statements have been prepared and are presented in Kenya shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Anti-Counterfeit Act and International Public Sector Accounting Standards (IPSAS). The Accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
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.

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Standard	Impact
	The Authority does not have an interest in a joint arrangement and therefore the standard does not apply

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

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Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The Authority 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 Authority and the fair value of the asset can be measured reliably. The Authority 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 Authority and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

The Authority received the below transfers from the Ministry of Industrialisation, trade and Enterprise Development.

Transfer date	Type of transfer	Financial period	State Department	Amount
11.10.19	Recurrent	2019/20	Trade	95,150,000
21.11.19	Recurrent	2019/20	Trade	95,150,000
18.10.19	Development	2019/20	Trade	25,000,000
27.02.20	Recurrent	2019/20	Trade	95,150,000
03.06.20	Recurrent	2019/20	Trade	95,150,000
27.02.20	Development	2019/20	Trade	25,000,000
TOTAL				430,600,000

Rendering of services

The Authority 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 Authority did not receive any income from rendering of services.

Sale of goods

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 entity. The Authority did not receive any income from sale of goods.

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 Authority did not receive any interest income.

ii) Revenue from exchange transactions – IPSAS 9

Dividends

Dividends or similar distributions are recognized when the Authority's right to receive payments is established. The Authority 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 Authority did not receive any rental income.

b) Budget information – IPSAS 24

The original budget for FY 2019-2020 was approved by the National Assembly on 13th June 2019. Subsequent revisions/reallocations were made to the approved budget in accordance with arising needs of the Authority. The additional appropriations were added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of Kshs. 3,000,000 on the 2019-2020 budget following the board's approval.

The Authority'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.

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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 xvii of these financial statements.

c) **Taxes**

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Authority and the same taxation authority.

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) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) 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 Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the 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 Authority to charge full depreciation on all its non-current assets in the year of purchase and no depreciation in the year of disposal.

The Authority applies the following depreciation rates for the different classes of assets:

- Motor vehicle : 25%
- General Equipment : 12.5%

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- Furniture and Fittings : 12.5%
- Computers : 33 1/3%

f) Leases – IPSAS 13

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. 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 Authority 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 Authority 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 Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

The Authority depreciates leasehold improvements at a rate of 16.7%.

g) 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.

The Authority depreciates intangible assets at a rate of 33 1/3%.

h) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit. During the period the Authority did not incur any development costs.

i) 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 Authority determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Authority 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 Authority determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

j) 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 Authority.

k) Provisions – IPSAS 19

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement

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

Contingent liabilities

The Authority 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 Authority in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates – IPSAS 3

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

n) Employee benefits – IPSAS 25

Retirement benefit plans

The Authority 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 Authority'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 Authority. The Authority 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.

o) 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

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which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related Parties

The Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise of the board members, Executive Director and Deputy Directors.

r) Service Concession Arrangements

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) 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 Mpesa bulk payment account.

t) Comparative figures

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

u) Subsequent Events – IPSAS 14

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

5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21 and 22.

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

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

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6. Transfers from Ministries, Departments and Agencies

State Department for Trade	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
State Department for Trade	380,600,000	-	50,000,000	430,600,000	424,844,436
Total	380,600,000	-	50,000,000	430,600,000	424,844,436

7. Rendering of services

Description	2019-2020	2018-2019
	Kshs	Kshs
Complaint Filling fees	5,498,533	5,478,522
Destruction and storage fees	19,249,645	15,995,672
Total revenue from the rendering of services	24,748,178	21,474,194

8. Other Income

Description	2019-2020	2018-2019
	Kshs	Kshs
Income from staff recoveries	300,400	19,325
Total other income	300,400	19,325

9. Use of goods and services

Description	2019-2020	2018-2019
	Kshs	Kshs
Communication supplies and services	2,123,625	3,403,297
Printing, advertising and services	4,267,504	5,435,648
Domestic travel and daily subsistence allowance	21,252,321	19,360,540
Foreign travel and daily subsistence allowance	1,794,211	5,829,781
Audit fees	800,000	522,000
Hospitalities and services	3,281,104	2,393,441
Professional and consultancy services	3,484,803	5,741,355
Promotional activities	9,550,717	21,215,868
Office and General supplies/services	5,828,447	4,228,908
Electricity	1,302,527	1,452,517
Fuel, oil and lubricants	2,513,140	4,283,298
General Insurance	1,773,615	1,624,763
Bank & Mpesa charges	200,108	208,565
Destruction charges	2,475,787	1,656,266

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Transport cost- for seized goods	249,950	183,420
Research	4,002,900	4,225,060
Rental	31,237,551	24,996,178
Security costs	2,186,144	1,682,000
Corporate social responsibility	373,000	-
Parking charges	1,087,408	699,057
Membership and subscription fees	1,377,700	1,414,338
Training	6,887,945	16,013,645
Total use of goods and services	108,050,507	126,569,945

10. Employee Costs

Description	2019-2020	2018-2019
	Kshs	Kshs
Salaries and wages	190,848,368	159,578,997
Employee related costs - contributions to pensions, NSSF and medical aids	41,824,153	31,533,339
Casuals and interns	1,663,539	1,991,391
Employee related costs - contributions to staff gratuity	1,549,300	1,613,413
Employee costs	235,885,360	194,717,140

11. Remuneration of Directors

Description	2019-2020	2018-2019
	Kshs	Kshs
Board committees conferences and seminars	1,374,200	762,650
Directors emoluments	4,796,000	5,784,001
Other allowances	2,622,845	3,825,592
Chair's Honoraria	1,044,000	1,013,129
Total director emoluments	9,837,045	11,385,372

12. Depreciation and amortization expense

Description	2019-2020	2018-2019
	Kshs	Kshs
Property, plant and equipment	21,911,475	27,790,349
Intangible assets	861,486	1,288,948
Depreciation govt. grant restatement	-	(500,000)
Total depreciation and amortization	22,772,961	28,579,297

13. Repairs and Maintenance

Description	2019-2020	2018-2019
	Kshs	Kshs
Buildings and stations	22,550	36,610
Vehicles and Cycles	2,910,316	4,347,182

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Furniture and Equipment	47,960	186,100
Computers and accessories	638,940	349,022
Communication Equipment	524,300	22,840
Total repairs and maintenance	4,144,066	4,941,754

14. Cash and cash equivalents

Description	2019-2020	2018-2019
	Kshs	Kshs
Current account –KCB Main Account	256,414,741	207,794,465
KCB Revenue Account	23,599,133	19,169,112
KCB Development Account	155,021,076	108,489,803
MPESA Bulk Payment Account	325,099	307,568
Total cash and cash equivalents	435,360,049	335,760,948

15. Receivables from exchange contracts

15.(a) Current portion of receivables from exchange transactions

Description	2019-2020	2018-2019
	Kshs	Kshs
Current Receivables		
Medical insurance	5,471,333	5,697,270
Rent	1,486,699	3,833,950
Group Personal Insurance	344,711	295,967
Parking	-	280,000
General Insurance	524,184	597,594
Withholding Tax	-	33,944
Fuel	836,936	
Total current receivables	8,663,863	10,738,725

15.(b) Long term receivables from exchange transactions

Description	2019-2020	2018-2019
	Kshs	Kshs
Non-current receivables		
Withholding Tax	33,944	-
Total non-current receivables	33,944	-
Total receivables a+b	8,697,807	10,738,725

16. Receivables from non-exchange contracts

Description	2019-2020	2018-2019
	Kshs	Kshs
Staff imprests	-	516,400
Total	-	516,400

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17. Inventories

Description	2019-2020	2018-2019
	Kshs	Kshs
Consumable stores	4,076,804	3,767,291
Total inventories at the lower of cost and net realizable value	4,076,804	3,767,291

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18. Property, Plant and Equipment

	Motor vehicles		Furniture and fittings		Computers		Office Equipment		Leasehold Improvement		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost												
At 30 th June 2018	86,736,909	29,016,106	14,861,840	15,175,473	36,990,596	182,780,924						
Additions	24,266,567	4,331,476	8,516,000	1,623,229	900,000	39,637,272						
At 30 th June 2019	111,003,476	33,347,582	23,377,840	16,798,702	37,890,596	222,418,196						
Additions	-	-	978,460	-	-	978,460						
At 30 th June 2020	111,003,476	33,347,582	24,356,300	16,798,702	37,890,596	223,396,656						
Depreciation												
At 30 June 2018	(70,837,525)	(22,469,237)	(13,095,619)	(11,724,524)	(22,086,914)	(140,213,819)						
Depreciation	(15,582,367)	(2,455,077)	(3,762,325)	(1,240,791)	(4,749,789)	(27,790,349)						
At 30 th June 2019	(86,419,892)	(24,924,314)	(16,857,943)	(12,965,315)	(26,836,705)	(168,004,168)						
Depreciation	(11,246,549)	(1,873,300)	(4,088,448)	(989,844)	(3,713,334)	(21,911,475)						
At 30 th June 2020	(97,666,441)	(26,797,614)	(20,946,391)	(13,955,159)	(30,550,039)	(189,915,644)						
Net book values												
At 30 th June 2020	13,337,035	6,549,968	3,409,909	2,843,543	7,340,557	33,481,012						
At 30 th June 2019	24,583,583	8,423,268	6,519,896	3,833,387	11,053,893	54,414,027						

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19. Intangible assets – software

Description	2019-2020	2018-2019
	Kshs	Kshs
Cost		
At beginning of the year	11,954,700	11,839,700
Additions	-	115,000
At end of the year	11,954,700	11,954,700
Additions–internal development	-	-
At end of the year	11,954,700	11,954,700
Amortization and impairment		
At beginning of the year	10,955,506	9,666,558
Amortization	861,486	1,288,948
At end of the year	11,816,992	10,955,506
NBV	137,708	999,194

20. Trade and other Payables from exchange transactions

Description	2019-2020	2018-2019
	Kshs	Kshs
Trade payables	7,289,598	12,113,536
Total trade and other payables	7,289,598	12,113,536

21. Current Provisions

Description	2019-2020	2018-2019
	Kshs	Kshs
Audit Fees	800,000	600,000
Total Provisions as at 30.06.2020	800,000	600,000

22. Non - current provisions

Description	Gratuity	Employer pension contribution for suspended staff	Half basic salary for suspended staff	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/d 01.07.2019	3,557,061	-	-	3,557,061
Additional provisions	1,549,300	641,974	4,279,827	6,471,101
Provisions utilized	(1,099,265)	-	-	(1,099,265)
Total Provisions as at 30.06.2020	4,007,096	641,974	4,279,827	8,928,897

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23. Net Pay

Description	2019-2020	2018-2019	2017-2018
	Kshs	Kshs	Kshs
Tobias Korir	-	49,363	-
Michael Aremon	-	64,536	
Total Net Pay	-	113,899	-

These are unpaid terminal dues for staff who had not yet cleared with the Authority by the end of the financial year.

24. Ministry of Public Service

Description	2019-2020	2018-2019
	Kshs	Kshs
Training Levy	-	90,482
Total Ministry of Public Service	-	90,482

25. Financial Risk Management

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority 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 Authority 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 Authority'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 Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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	Total amount Kshs	Fully performing Kshs	Past due Kshs
At 30 June 2020			
Receivables from exchange transactions	8,697,807	8,663,863	33,944
Receivables from non-exchange transactions	-	-	-
Bank balances	435,360,049	435,360,049	-
Total	444,057,856	444,023,912	33,944
At 30 June 2019			
Receivables from exchange transactions	10,738,725	10,738,725	-
Receivables from non-exchange transactions	516,400	516,400	-
Bank balances	335,760,949	335,760,949	-
Total	347,016,074	347,016,074	-

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the Authority 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.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2020				
Trade payables	7,185,348	104,250	-	7,289,598
Provisions	4,921,801	-	800,000	5,721,801
Employee benefit obligation	4,007,096	-	-	4,007,096
Total	16,114,245	104,250	800,000	17,018,495
At 30 June 2019				
Trade payables	10,467,099	-	1,646,437	12,113,536
Provisions	600,000	-	-	600,000
Employee benefit obligation	3,557,061	-	-	3,557,061
Net pay	-	-	113,899	113,899
Ministry of Public Service	90,482	-	-	90,482
Total	14,714,642	-	1,760,336	16,474,978

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Authority 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 Authority'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 Authority's Risk management committee 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 Authority's exposure to market risks or the manner in which it manages and measures the risk.

a. Foreign currency risk

The Authority 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 Authority did not have a carrying amount of foreign currency denominated monetary assets and monetary liabilities during the financial year 2019/2020.

b. Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority'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 Authority 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 Authority faced no major interest rate risk during the financial period under review.

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(iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Accumulated Fund	115,874,996	115,874,996
Revaluation reserve	15,904,628	15,904,628
Retained earnings	220,455,261	195,441,982
Capital reserve	112,500,000	62,500,000
Total funds	464,734,885	389,721,606
Total borrowings	-	-
Less: cash and bank balances	(435,360,049)	(335,760,949)
Net debt/(excess cash and cash equivalents)	29,374,836	53,960,657

26. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the Authority 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 Authority is related to

- i) The National Government;
- ii) The Ministry of Industrialization, Trade and Enterprise Development;
- iii) Board of directors;
- iv) Key management

b) Related party transactions

The following transactions were carried out with related parties.

	2020	2019
	Kshs	Kshs
Transfers from GOK	430,600,000	424,844,436
Transfers to related parties	-	-
	430,600,000	424,844,436

c) Key management remuneration

	2020	2019
	Kshs	Kshs
Directors' Emoluments	4,796,000	5,784,001
Compensation to the Executive Director	6,108,000	6,108,000
Key management compensation	43,204,666	33,583,178
	54,108,666	45,475,179

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27. Contingent Liability

Contingent Liabilities	2019-2020	2018-2019
	Kshs	Kshs
Court cases against the Authority	9,431,000	6,311,000
Total	9,431,000	6,311,000

The Authority had five (5) civil cases completed that had adverse rulings. The Authority has filed an appeal in all the cases and they are ongoing. The table below gives the details of the cases:

No.	Case Citation	Value claimed against the Authority
1.	Petition No.121 of 2018 Stanley Magare Vs. ACA & 3 Others	Ksh. 100,000 plus costs of the suit.
2.	Civil Appeal No. 215 of 2018 (Milimani) ACA vs. Esther Mawia Mwanja & Anor	Ksh. 5,261,000
3.	Industrial Cause No. 653 of 2012 (Milimani) Joyce N. Simitu vs ACA	Kshs. 600,000
4.	Petition 320 of 2015 (Nairobi) Francis Wanyange & Anor vs ACA	Ksh. 350,000
5.	Kakamega CMCCC No. 264 of 2016 Peter Mbaria Kariuki Versus Attorney General & 3 Others	Kshs. 3,120,000

The table below shows the cases where the Authority estimates liability in the event of an adverse ruling:

No.	Case Citation	Value claimed	Status	Risk to Authority
1.	Nyeri Civil Case No. 390 of 2017 Adan Abass Nura Vs ACA	700,000	Pending Hearing. Application to strike out the suit for want of prosecution to be filed	The plaintiff claims in his statement that the seized goods were worth Ksh. 100,000. He claims general damages for slander. Considering that in defamation cases of highly influential people such as Hon. Musikari Kombo who was awarded Ksh. 6 million by the court of appeal (<i>Musikari Kombo v Royal Media Services Limited [2018] eKLR</i>), the Plaintiff, a shop owner in Nyeri at the time, is unlikely to receive more than Ksh. 500,000 as damages. The estimated costs as per the Advocates Remuneration order, including instruction fee, court attendances and disbursements is estimated at Ksh. 100,000. This makes the total contingent liability to be estimated at Ksh. 700,000.

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No.	Case Citation	Value claimed	Status	Risk to Authority
2.	JR No. 2 of 2017 Mashwa Breweries Vs Aca & 2 Others	250,000	Ongoing. Yet to be served with the substantive motion and the hearing date by the Petitioners.	This being a judicial review matter, no damages are recoverable. The estimated costs payable in the event that the applicant is successful based on the Advocates Remuneration order is Ksh. 250,000
3.	Civil Case No. 160 of 2016 (Milimani) James Kimani & Others vs. ACA & 2 Others	603,500,000	Ongoing. Ruling delivered on 5 th March 2020 dismissing plaintiffs application to strike out 2 nd and 3 rd Defendants defence. No further date set.	Kshs. 603,500,000 is claimed by the plaintiff as special damages.
4.	Civil Suit No. 45 of 2019 (Nairobi) Peter Mugucia vs ACA	18,571,400	No date set. The matter is pending appeal by the Authority in High Court Civil Appeal No. 289 of 2019.	Ksh. 18,571,400 is claimed by the Plaintiff in the main suit.
5.	Petition No. 2 of 2019 (Nakuru) Mavazi Textile and Branding Ltd vs ACA	19,166,000 as at 15 th June 2020	Date to be fixed at the Registry	Petitioner claims general damages as well as: <ul style="list-style-type: none"> • Loss of daily sales at Ksh. 20,000 per day from 14th January 2019 • Loss of production 20 pairs of shoes per day at Ksh. 1,500 from 14th January 2019 • Loss of work for workshop workers 3 at Ksh. 500 per day from 14th January 2019 • Loss of uniform sales at Ksh. 10,000 from 14th January 2019 • Director's remuneration at Ksh. 5,000 from 14th January 2019
6.	Judicial Review No. 193 of 2019 (Nairobi High Court) Micheal Wachira Macharia T/A Polyseal sealers vs ACA	250,000	Hearing 7 th July 2020	This being a judicial review matter, no damages are recoverable. The estimated costs payable in the event that the applicant is successful based on the Advocates Remuneration order is Ksh. 250,000
7.	Petition No. 5 of 2019 (Embu High Court)	550,000	The matter was fixed for mention on 16 th March 2020 but following the	No specific damages are claimed but the petitioner seeks general damages. Based on the recent High Court decision in Petition No. 320 of 2015 (appeal pending) where the Authority was condemned to pay Ksh.

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No.	Case Citation	Value claimed	Status	Risk to Authority
	John Kariuki T/A Khifam Ltd vs Uzuri Foods		corona outbreak, the same will be fixed for mention on another date subject to directions of the court.	550,000 in damages and costs the same figure would apply as an estimate in this case.
8.	Judicial Review No. 226 of 2019 (Milimani) Coconut Best Co. vs ACA & Others	250,000	Hearing 7th July 2020	This being a judicial review matter, no damages are recoverable. The estimated costs payable in the event that the applicant is successful based on the Advocates Remuneration order is Ksh. 250,000
9.	Petition 30 of 2020 (Milimani) Gonas Best Ltd & Anor vs ACA	36,305	Mention 15 th June 2020	The petitioner claims refund of destruction fee of Ksh, 36,305 , compensatory and punitive damages as well as costs of the suit
10.	Judicial Review No. 21 of 2020 (Machakos) Talib Zein Saliman & others vs ACA	250,000	The matter was fixed for mention on 17 th March 2020 but following the corona outbreak the same will be fixed for mention on another date subject to directions of the court.	This being a judicial review matter, no damages are recoverable. The estimated costs payable in the event that the applicant is successful based on the Advocates Remuneration order is Ksh. 250,000
11.	Nakuru civil case No. 1114 of 2019	227,713	Pending filing of our submissions to our preliminary objection	Grant of a permanent injunction against the Authority & cost of suit.
12.	Civil Appeal No. 289 of 2019 (Nairobi High Court) ACA vs. Peter Mugucia & others	300,000	The matter was fixed for mention on 1 st April 2020 but following the corona outbreak the same has since been fixed for 16 th June 2020.	Should the Appeal be unsuccessful the estimated contingent liability in terms of costs is Ksh. 300,000

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28. Capital Commitments

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
Authorised for	50,000,000	62,500,000
Authorised and contracted for	-	-
Total	50,000,000	62,500,000

The Authority committed KES 50M for the acquisition of go down.

29. Events after the reporting period

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

30. Ultimate and Holding Authority

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

31. Currency

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

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IX. Appendix I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the External audit report	Issue/Observations from Auditor	Management Comments	Focal person to resolve the issue	Status (Resolved/ Not Resolved)	Timeframe
	<p>Emphasis of Matter</p> <p>A review of available records at Anti-Counterfeit Authority revealed pending legal proceedings against the Authority that may, if successful, have significant financial impact on its operations. We noted that an accused person who was charged with possession of counterfeit electric bulbs and accessories was acquitted of the charges in a Court of Law in 2015. However, the accused person & others instituted civil case at Milimani Law Courts in 2016 seeking for special damages of Kshs.603,500,000 against the Authority for unlawful arrest, malicious prosecution and destruction of property.</p> <p>The management explained that the Authority released part of the goods seized to the accused persons in July 2015. The accused persons however complained that the remaining goods have been destroyed and they could not take destroyed and/or damaged goods.</p>	<p>The Authority did notify the accused persons to avail themselves for the release of the goods as ordered by the Court. They availed themselves in the presence of their lawyer on 13th July 2015. The Authority released part of the goods seized to the accused persons on this date. They however complained that the remaining goods have been destroyed and that they could not take destroyed and/or damaged goods. The Authority has discharged its statutory duty under Section 27 of the Anti-Counterfeit Act and Regulation 16 {} of the Anti-Counterfeit Regulations, 2010.</p> <p>Consistent with the discharge of this burden, the Authority is going to pursue a counterclaim in the civil suit for the accused person {now Plaintiffs in the civil case} to pay to the Authority storage fees from the date they rejected the goods.</p> <p>The Authority did constitute a Management Committee to establish the condition of the goods. The Committee came up with a report concluding that the seized goods are intact and not destroyed or damaged in any way.</p> <p>In the meantime, the seized goods are in safe custody and the Authority has continued to put a strong defence against</p>	Deputy Director Enforcement & Legal Services	Resolved	Immediate

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	<p>Other Matter</p> <p>The Anti-Counterfeit Authority signed a contract with M/s Resjos Enterprises Ltd for proposed partitioning works for Authority new offices on third floor at National Water Conservation and Pipeline Corporation building (NWCPC), Dunga/Machakos Road Junction Industrial area in November 2016. We noted that whereas the contract was fully discharged and certificate of practical completion issued, defects liability certificate has not been issued to date. Further, retention amount of Kshs.1,642,536.97 has remained outstanding in the Authority's books since 12 May 2017 contrary to the provisions of the signed contract. Project manager's explanation on delays in issuance of the defect's liability certificate has not been provided.</p>	<p>Information and Communication Technology</p> <p>The Anti-Counterfeit Authority, in the strategic plan formulated various strategic objectives which include integration of Information and Communication Technology (ICT) in operations and to promote good governance. To achieve the objectives, the ICT function is required to develop and implement an efficient framework for data integrity and ICT security. However, as at the time of audit, management had not put in place the following controls:</p> <ul style="list-style-type: none"> Information Technology (IT) strategic plan that supports business requirements and ensures that IT spending remains within the approved IT strategic plan. 	<p>The Authority with donor support from Trademark East Africa is in the process of setting up an IT platform for its Enforcement operations, upgrading of ICT infrastructure and an offsite back up facility. The process is currently ongoing and full installation will be done by end of July 2020.</p> <p>The IT division will prioritize the development of the IT strategic plan and ensure it is in place by July 2020.</p> <p>The Authority has constituted a team to develop the corporate Business Continuity plan which will include the IT BCP and Disaster Recovery Plan. The plan will be in place by end of FY 2020/2021.</p>	<p>Deputy Director Corporate Services</p> <p>Resolved</p> <p>July 2020 June 2021</p>
	<p>The Authority wrote to the Regional Works officer on 29th May 2020 requesting for inspection of the completed works and issuance of the defects liability certificate to enable payment of the retention money. The Regional Works officer responded on 8th June 2020 forwarding the defects liability certificate which will enable us pay the retention amount.</p>	<p>Deputy Director Corporate Services</p> <p>Resolved</p>		<p>Immediate</p>

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	<ul style="list-style-type: none"> • A formal, documented and tested emergency procedure. • IT continuity plan and disaster recovery plan, IT continuity plan and disaster recovery plan kept off-site, Backups stored in a secure offsite storage facility. <p>In the circumstances, failure to develop and implement Business Continuity Plan and disaster recovery plan, establish off-site back up facilities may expose the authority to possible loss of business in the event of disasters.</p>				
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Shabari

Ag. Executive Director

Date: 08/07/2021

[Signature]

Chairperson of the Board

Date: 08/07/2021

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XX. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

The Authority is implementing several projects funded by DFID through Trademark East Africa.

Project Title	Project Number	Donor	Period/duration	Donor Commitment	Separate donor reporting required as per the donor agreement	Consolidated in these financial statements
Digitalization of ACA enforcement operations	N/A	DFID/TMEA	FY 2018/19 to FY 2021/22	USD 1,259,000	No	No
National baseline survey	N/A	DFID/TMEA	FY 2018/19 to FY 2021/22	USD 241,000	No	No

Note: The financial reporting and procurement is undertaken by Trade Mark East Africa.

Status of Projects Completion

No	Project	Total project cost (USD)	Total expended to date (USD)	Completion % to date	Budget (USD)	Actual (USD)	Sources of funds
1.	Digitization of ACA operations	1,259,000	947,050	60	1,259,000	220,181	TMEA
2.	National baseline survey	241,000	241,000	100	241,000	168,700	
TOTAL			1,188,050		1,500,000	388,881.47	

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XXI. Appendix III: INTER-ENTITY TRANSFERS

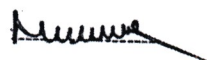
ENTITY NAME:		ANTI COUNTERFEIT AUTHORITY		
Break down of Transfers from the State Department of Trade				
FY 2019/2020				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		11.10.19	95,150,000	2019/2020
		21.11.19	95,150,000	2019/2020
		27.02.20	95,150,000	2019/2020
		03.06.20	95,150,000	2019/2020
		Total	380,600,000	
b.	Development Grants			
		18.10.19	25,000,000	2019/2020
		27.02.20	25,000,000	2019/2020
		Total	50,000,000	

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

Manager Finance & Accounts
 Anti-Counterfeit Authority

Head of Accounting Unit
 State Department of Trade

Sign Ronumbasi


 Sign