

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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REPORT

*Paper hand
By Hon. A. Suake (Hon)
On Thurs. 20.08.2015
(pro) M M M M*

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
UNCLAIMED FINANCIAL ASSETS AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2014



REPUBLIC OF KENYA



**UNCLAIMED FINANCIAL ASSETS AUTHORITY
(UFAA)**

**AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE, 2014**

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I) KEY CORPORATE INFORMATION

(a) Background information

The Unclaimed Financial Assets Authority (UFAA) is an Authority created under the Unclaimed Financial Assets Act, No. 40 of 2011 to administer unclaimed financial assets. The Board of Directors was gazetted under Legal Notice No.16272 of 9th November, 2012 and skeleton staff seconded to the Authority from The National Treasury in August, 2013 to help operationalize the Authority.

The financial year 2013/2014 was the first year of its operation and the Authority was allocated Ksh.100 million out of which an amount of KSh. 95,000,000.00(Kenya shillings Ninety five Million only) was disbursed to the Authority.

(b) Principal Activities

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

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

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive officer	George Omino
2.	Under Secretary	Godfrey Busolo

d) Fiduciary Oversight Arrangements

- *Audit and finance committee activities*

(e) Principal Place of Business

Treasury Building, 12th Floor
P.O BOX 28235-00200
Harambee Avenue
NAIROBI.

(f) Authority's contacts.

+254-020-2252299 Ext.33253
ufaa@treasury.go.ke

(g) Bankers

Central Bank of Kenya
P.O BOX 60000-00200
Nairobi, KENYA

Kenya Commercial Bank-KICC Branch
KICC Building, Harambee Avenue
P.O BOX 46950-00100
Nairobi, KENYA

(h) Auditors

Auditor General
Anniversary Towers, Loita Street
P.O BOX 30084-00100
Nairobi, KENYA

(i) Principal Legal Advisor

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

II) THE BOARD OF DIRECTORS

- | | |
|-----------------------------|---------------------------------|
| 1. Mr. Vincent Kimosop | Chairman-Non Executive Director |
| 2. Mr. Henry K. Rotich | Non-Executive Director |
| 3. Mr. Abdikhani Abass | Non-Executive Director |
| 4. Ms. Asha Ndisiyon Ngoley | Non-Executive Director |
| 5. Mr. Charles M. Nduati | Non-Executive Director |
| 6. Eric Barare Orina | Non-Executive Director |
| 7. Mr. Daniel Mutua | Alt. Non-Executive Director |
| 8. Mr. George Omino | Ag. Chief Executive Officer |

KEY MANAGEMENT

- | | |
|-----------------------|---|
| 1. Mr. George Omino | Ag. Chief Executive Officer |
| 2. Mr. Godfrey Busolo | under Secretary (Ag. Manager –Administration) |
| 3. Mr. Eric Murungi | Senior Finance Officer |
| 4. Mr. Tom M. Odundo | Chief Accountant. |
| 5. M/s Emily Korir | Supply Chain Management Officer |
| 6. M/s Jane Gicheru | Human Resource Management Officer. |
| 7. Mr. Simon Imbisi | ICT Officer |
| 8. Mr. Nick Mudambo | ICT Officer |

Profile of Directors



Mr. Vincent Kimutai Kimosop - Chairman, Non-Executive Director

Mr. Vincent Kimosop is the Chairman of the Unclaimed Financial Assets Authority. He currently serves as the Chief Executive Officer of the International Institute for Legislative Affairs (ILA). He holds a BA Economics (Moi) 2005 and MA International Studies (UoN) 2010. He also serves in Boards of different institutions, among them Governing Council of FOCUS Kenya; the East African Centre of Human Rights and the Kenya Christian Professionals Forum. He previously worked with Transparency International (Kenyan Chapter) and Institute of Economic Affairs (IEA).



Mr. Henry K. Rotich - Cabinet Secretary, The National Treasury, Non-Executive Director

Mr. Henry Rotich is the Cabinet Secretary, The National Treasury. He holds a Masters degree in Economics and Bachelors degree in Economics (First Class Honours) both from the University of Nairobi. He also holds a Masters degree in Public Administration (MPA) from the Kennedy School of Government, Harvard University.

Prior to his appointment as Cabinet Secretary, he had been the Head of Macroeconomics at The National Treasury, then Ministry of Finance, since 2006 where he was involved in the formulation of macroeconomics policies aimed at achieving Government's development priorities. In addition, he was involved in the preparation of key budget documents including the Budget statements, as well as providing strategic coordination of structural reforms in the fiscal and financial sector.

Prior to joining the Ministry of Finance, Mr. Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004; he was attached to the International Monetary Fund (IMF) local office to work as an economist. Mr. Rotich has also been a Director on several boards of state corporations, including Insurance Regulatory Authority, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics.



Mr. Abdikhani Abass- Non-Executive Director

Mr. Abass is currently the Managing Director Interpel Investments Ltd He holds a Bachelor of Arts In Economics (Minor in Political Science). Mr. Abass has also served as Managing director of various companies including Tecaflex Limited-Mombasa and Kifaru Commodities Limited-Nairobi. He also serves in the Board of Kenya National Assurance (2001) Ltd.



Mr. Charles M. Nduati - Non-Executive Director

Mr. Charles Nduati is an Insurance Professional who holds a Bachelor of Arts Degree in Financial Services and is an Associate of the Chartered Insurance Institute (ACII), London. He has extensive experience in the insurance industry spanning over 25 years. He is currently a General Manager at AON Kenya Insurance Brokers Limited.



Ms. Asha Ndisiyon Ngoley - Non-Executive Director

Ms. Asha Ngoley is currently serving as Senior Finance Operations Manager at Kenya Red Cross Society since April, 2006. She holds Master of Science degree in Finance and a Bachelor of Commerce degree in Finance both from the University of Nairobi. She is Certified Public Accountant (CPA-K).



Mr. Eric Barare Orina - Non-Executive Director

Mr. Eric Orina is Chairman of Consumers of Financial Services Association and former member of the Media Council of Kenya.



Mr. Daniel M. Mutua -Alternate to CS /National Treasury

Mr. Mutua is an Ag. Deputy Director, Investment. He has over 23 yrs Public sector experience in various Ministries including- Ministry of Labour, National Heritage and the National Treasury-Directorate of portfolio management. Intensive training in Investment appraisal, Enterprise Risk analysis, corporate Governance and Public-Private Partnerships.

Mr. Mutua holds a B.Ed. (Eco/Buss)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and several certificates from IP3 Institute-Washington DC-USA.



Mr. George Omino – Acting CEO

Mr. George Omino is the Acting CEO of UFAA on secondment from the National Treasury where he is Deputy Director and Head of Financial Services Sector in Economic Affairs Department. Mr. Omino is originally from the Central Bank of Kenya, where he has worked since 1978, rising to the position of Assistant Director and Head of Microfinance Division in Bank Supervision Department. Mr. Omino has a wealth of experience in regulation and supervision of banks and other financial institutions, having been a bank examiner for over 20 years. He has also been a statutory manager of a bank. He was a member of the Taskforce that developed the original draft Unclaimed Financial Assets legislation in 2008. He was also a member of the team that has developed the draft Unclaimed Financial Assets Regulations, 2014. Mr. Omino holds a Bachelor of Arts degree in Economics from the University of Nairobi and a Masters of Science degree in Finance from Strathclyde Business School in the United Kingdom.

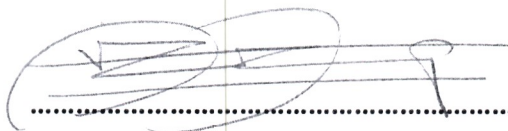
III) CHAIRMAN'S STATEMENT

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

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

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

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


.....

VINCENT KIMOSOP

CHAIRMAN

BOARD OF DIRECTORS

Date..... 15/09/2014

IV) REPORT OF THE CHIEF EXECUTIVE OFFICER

The Authority has undertaken the following activities during the year 2013/2014.

- Leasing of office space for the Authority at the PACIS Centre in Westlands.
- Development of the organizational structure, salary structure and terms and conditions of service for the Authority staff.
- Development of the UFAA regulations currently with Cabinet Secretary/The National Treasury for gazettelement.
- Establishment of Unclaimed Financial Assets Trust Fund.
- Development of UFAA website.
- Receipt of unclaimed policy benefits from KNAC (2001) Ltd.
- Partitioning of the Authority's offices.
- Finalization and adoption of the Authority's logo.
- Development of Authority's Human Resources Manual.
- Procurement of a Van.

The Authority intend to undertaken the following activities during the year 2014/2015.

- Development of the Authority's Strategic Plan.
- Receipt of unclaimed financial assets from other industry players and ensure compliance by the holding institutions.
- Procurement of medical cover for board members.
- Development of a training policy.
- Procurement of medical cover for management staff.
- Identification and procurement of appropriate software for data on unclaimed financial assets.
- Recruitment of Senior Managers.
- Recruitment of other categories of staff.
- Procurement of furniture and fittings.
- Procurement of office facilities and equipment.
- Procurement of other IT equipment.



GEORGE OMINO

AG. CHIEF EXECUTIVE OFFICER

Date. 12th September, 2014

V) REPORT OF THE DIRECTORS

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2014 which show the state of the authority's affairs.

Principal activities

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

Results

The results of the Authority for the year ended June 30, 2014 are set out on page 11-16.

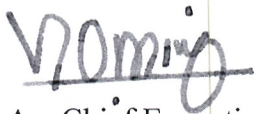
Directors

The members of the Board of Directors who served during the year are shown on page iii in accordance with Regulation of the Unclaimed Financial Assets Act.

Auditors

The Auditor General is responsible for the statutory audit of the *Authority* in accordance with the Section 81(4) a of the Public Finance Management (PFM) Act, 2012.

By Order of the Board



Ag. Chief Executive Officer

Nairobi

Date: 12th September, 2014

VI) STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

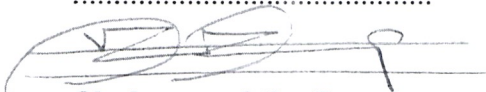
The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining 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 *entity*; (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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2014, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity'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 *entity* 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 Unclaimed Financial Assets Authority's financial statements were approved by the Board on 26th August 2014 and signed on its behalf by:


.....
Chairman of the Board


.....
Director


.....
Ag. CEO

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Unclaimed Financial Assets Authority, set out on pages 14 to 24, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Directors of Unclaimed Financial Assets Authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

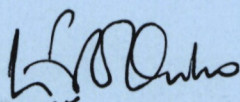
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Unclaimed Financial Assets Act No.40 of 2011.

Other Matter

Sections 44 and 46 of the Unclaimed Financial Assets Act, 2011 provide for establishment, accounts and audit of the Unclaimed Assets Trust Fund. The Authority did not prepare and submit for audit, separate Trust Fund financial statements as required by the Law but instead attached the Trust Fund's statement of receipts and payments and the statement of financial position to the Authority's financial statements for the year ended 30 June 2014. The Authority, therefore, contravened the Law to this extent. However, my opinion is not qualified in respect to this matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

20 April 2015

VIII) STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE, 2014

		2013/2014
		KSh.
Revenue from Non exchange Transactions		
Government Grants –Recurrent		95,000,000.00
Revenue from Exchange Transactions		
Finance income	3	<u>613,257.55</u>
Total Revenue	(a) 95,613,257.55	
Operating Expenses		
Board Expenses	4	5,451,657.70
Administrative Expenses	5	10,901,362.35
Depreciation		215,488.75
Audit fees		<u>200,000.00</u>
Total Operating Expenses(b)		<u>16,768,508.80</u>
Operating Surplus for the period (a-b)		<u>78,844,748.75</u>

The notes set out on pages 20 to 24 form an integral part of the Financial Statements

UNCLAIMED FINANCIAL ASSETS AUTHORITY

XI) STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE, 2014

	ACCUMILATED SURPLUS	TOTAL
	KSh.	KSh.
Balance as at 1 st July, 2013	-	-
Surplus for the period	<u>78,844,748.75</u>	<u>78,844,748.75</u>
Balance as at 30 th June, 2014	<u>78,844,748.75</u>	<u>78,844,748.75</u>

The notes set out on pages 20 to 24 form an integral part of the Financial Statements.

UNCLAIMED FINANCIAL ASSETS AUTHORITY

XII) STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE, 2014

	2013/2014
Cash Flows from operating activities	KSh.
Operating surplus/Net income	78,844,748.75
Add back depreciation	215,488.75
Decrease (Increase) in receivables & Prepayments	(2,800,064.00)
Increase in payables & Accruals	200,000.00
Increase in Unclaimed Assets Fund	<u>348,754,304.00</u>
Net Cash Flows from operating activities	<u>425,214,477.50</u>
Cash Flows from investing activities	
Purchase of Non Current Assets	(7,913,640.00)
Net Cash Generated from investing activities	<u>(7,913,640.00)</u>
Cash Flows from financing activities	
Net Cash Generated from financing activities	=
Increase (Decrease) in Cash & Cash Equivalents	417,300,837.50
Cash & Cash Equivalents at Beginning of Year	-
Cash & Cash Equivalents at End of Year	<u>417,300,837.50</u>

The notes set out on pages 20 to 24 form an integral part of the Financial Statements.

UNCLAIMED FINANCIAL ASSETS AUTHORITY

XIII) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Notes

Government grants and subsidies

The under provision of Ksh.5,000,000 was due to non remission of grants.

Compensation of employees

The under expenditure of KSh.15,000,000 on this item was due to delay in the approval of organization structure, establishment and salary scale for the Authority which resulted in delay in recruitment.

Communication, Supplies and Services

The under expenditure of KSh.1,330,750 on this item was due to low activities level due to delay in recruitment.

Travelling Expenses

The under expenditure of KSh.2,932,000 on this item was due to low activities level.

Printing, Advertising and Information Supplies and Services

The under expenditure of KSh.1,345,200 on this item was due to low activities level.

Rents and Rates - Non-Residential

The under expenditure of KSh. 4,548,302 was due to delay in finalization of the lease agreement for the office space.

Training Expenses

The under expenditure of KSh.16,058,385.95 on this item was due to low activities level.

Hospitality Supplies and Services

The under expenditure of KSh.1,618,978.30 on this item was due to low activities level.

Insurance Costs

The under expenditure of KSh.2,000,000 on this item was due to delay in procurement of Motor Vehicle and medical cover for directors.

Fuel Oil and Lubricants

The under expenditure of KSh. 1,050,000 was due to late procurement of motor vehicle for Authority's use.

Other Operating Expenses

The under expenditure of KSh.1,556,523 on this item was due to low activities level.

Professional Fees

The under expenditure of KSh.1,832,512.70 on this item was due to low activities level.

Pension and Retirement Benefits

The under expenditure of KSh.4,000,000 was due to delay in recruitment of staff.

Refurbishment of non residential buildings

The under expenditure of KSh. 10,000,000 was due to delay in finalization of the lease agreement for the office space and award of contract for partitioning.

Purchase of office furniture and fittings

The under expenditure of KSh. 5,000,000 on this item was due to delay in completion of office partitioning.

Purchase of computers , printers and other office equipment

The under expenditure of KSh.2,190,000 was due to delay in completion of office partitioning.

UNCLAIMED ASSETS TRUST FUND

X) STATEMENT OF RECEIPTS AND PAYMENTS FOR THE TRUST FUND FOR THE PERIOD ENDED 30TH JUNE, 2014

<u>Receipts</u>	KSh.
Balance b/f	-
Unclaimed life policy benefits (KNAC 2001 Ltd)	348,754,304.00
Total Receipts	<u>348,754,304.00</u>
<u>Payments</u>	
Payments	0.00
Total Payments	<u>0.00</u>
Balance C/D	<u>348,754,304.00</u>

UNCLAIMED ASSETS TRUST FUND

STATEMENT OF FINANCIAL POSITION FOR THE TRUST FUND AS AT 30TH JUNE, 2014

ASSETS

Current assets:	2013/2014
	KSh.
	Note
Cash & cash equivalents	<u>348,754,304.00</u>
	<u>348,754,304.00</u>
Non –Current Liabilities	
Unclaimed Assets Trust Fund	<u>348,754,304.00</u>
	<u>348,754,304.00</u>

The notes set out on pages 20 to 24 form an integral part of the Financial Statements.

XIV) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2014

1. Statement of compliance and basis of preparation.

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from Non exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with the government is 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 entity and can be measured reliably.

ii) Revenue from Non exchange transactions

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

b) Property, plant & Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

c) Corporation tax

The Authority being a non trading Authority is not subject to taxation however other taxes accruing from employees/ Directors are recovered through the payroll and remittances filled as appropriate.

d) Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

e) Comparative figures

Being the first year of the Authority's operation, there are no comparative figures for the previous financial year.

3. Finance Income

Interest income on call deposit 613,257.55

Total Finance Income **KSh 613,257.55**

4. Board Expenses

Sitting allowance 3,819,910.00

Honoraria to chairman 1,230,967.70

Transport 67,340.00

Accommodation 104,400.00

Training 229,040.00

TOTAL **KSh.5, 451,657.70**

5. Administrative Expenses

Consultancy Expenses 4,156,885.60

Bank Charges 6,465.00

Hospitality services 429,364.00

Training Expenses 941,614.05

Rent 2,651,634.00

Domestic Travel 68,000.00

Legal Expenses 210,601.70

Telephone Expenses 66,000.00

Advertising 2,000,000.00

Printing & Publishing 154,800.00

Office Expenses (Stationery) 176,136.00

Postal Services 3,250.00

General Expenses 36,012.00

Total **KSh.10, 901,362.35**

6. Cash and Cash equivalents.

i) Own funds

Cash on hand		27,000.00
Cash in bank	24,519,533.50	
Short term deposit	<u>44,000,000.00</u>	68,519,533.50

ii) Trust Fund A/c (see note 10)

348,754,304.00

417,300,837.50

7. Other Receivables

Rent deposit		<u>2,800,064.00</u>
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8. Property, plant & Equipment

Motor Vehicles	Computers & Printers		Total	
KSh.	KSh.	KSh.		
Cost as at 01.07.2013		0.00	0.00	0.00
Additions		7,103,700.00	809,940.00	7,913,640.00
Disposals		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Cost as at 30.06.2014		<u>7,103,700.00</u>	<u>809,940.00</u>	<u>7,913,640.00</u>
Acc. Depreciation as at 01.07.2013		0.00	0.00	0.00
Charge for the year		147,993.75	67,495.00	215,488.75
Acc. Depreciation as at 30.06.2014		<u>147,993.75</u>	<u>67,495.00</u>	215,488.75
Net Book Value as at 30.06.2014		<u>6,955,706.25</u>	<u>742,445.00</u>	<u>7,698,151.25</u>

Note. The assets were acquired by the Authority at different point in time Motor vehicle has been depreciated for 1 month whereas computers and printers have been depreciated for 3 months.

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9. Payables & Accruals

Provision for Audit fees	<u>200,000.00</u>
	<u>200,000.00</u>

10. Unclaimed Assets Trust Fund

Kenya National Assurance Company (2001) Ltd	<u>KSh.348, 754,304.00</u>
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These are unclaimed policy benefits handed over to the Authority by Kenya National assurance (2001) Ltd on behalf of the policyholders.