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Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY	
DATE: 08 MAR 2023	
DAY: Wednesday	
TABLED BY:	Hon Owen Baya, CBS, MP Deputy Majority Leader,
CLERK-AT-TABLE:	Miriam Mado

THE AUDITOR-GENERAL

ON

ANTI-COUNTERFEIT AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2022**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00 00 NAIROBI
KENYA
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**anti
counterfeit
authority**

ANTI-COUNTERFEIT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2022

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

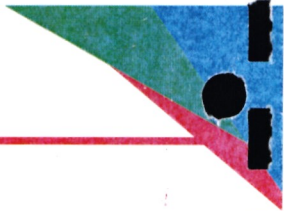
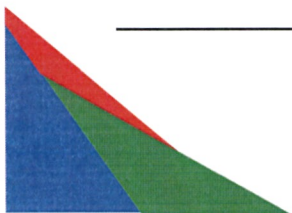


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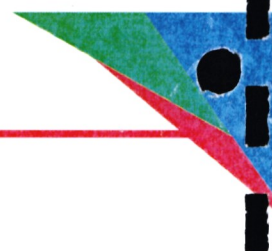
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ACRONYMS

ACA	Anti-Counterfeit Authority
ADR	Alternative Dispute Resolution
A-I-A	Appropriation in Aid
AIMS	ACA Integrated Management Systems
DFID	Department for International Development
FY	Financial Year
HR	Human Resource
IP	Intellectual Property
IPR	Intellectual Property Rights
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
MTP	Medium Term Plan
NEMA	National Environment Management Authority
OSHA	Occupational Safety and Health Administration
PFM	Public Finance Management
SCAC	State Corporations Advisory Committee
KPLC	Kenya Power & Lighting Company
CSR	Corporate Social Responsibility



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 five (5) directorates as follows: Enforcement, Legal services/Corporation Secretary, Research, Planning & Public Awareness, Corporate Services and Internal Audit.

(b) Principal Activities

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

- i) 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) Carry out any other functions prescribed for it under any of the provisions of this Act or under any other written law; and
- vi) Perform any other duty that may directly or indirectly contribute to the attainment of the foregoing.

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 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Executive Director	Ms. Fridah Kaberia
2.	Director Legal Services	Mr. Johnson Adera
3.	Director Research, Planning & Public Awareness	Dr. John Akoten
4.	Ag. Director Corporate Services	Ms. Rephah Kitavi
5.	Deputy Director, Education and Public Awareness	Ms. Agnes Karingu
6.	Deputy Director, Research & Policy	Mr. Elijah Ruttoh
7.	Deputy Director, Human Resource & Administration	Ms. Mary Mwinga
8.	Deputy Director, Legal Services	Mr. Naylor Mukofu
9.	Deputy Director, 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 four key committees namely; Technical Committee, Human Resource Committee, Finance and General-Purpose Committee and Audit & 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 its 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

(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

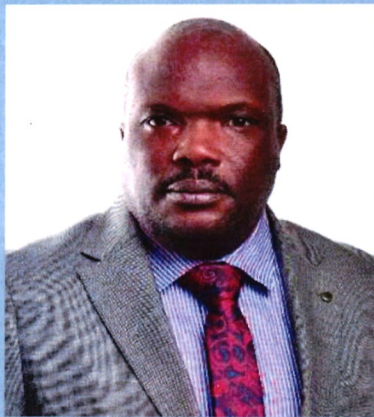
The Board of Directors of the Authority are:



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 and KEPSA.

She is greatly involved in supporting and empowering women in business through mentorship programs, talks and overall community development activities.



Dr. Robi Mbugua Njoroge
Executive Director

Dr. Njoroge was appointed to the position of ACA Executive Director with effect from 1st August 2022.

Dr. Njoroge has over 20 years' experience gained in both public and private sectors. Previously, Dr. Njoroge served as the Chief Executive Officer of Kenya Association of Music Producers (KAMP). He has also served as board member of the Media Council of Kenya (MCK), Tom Mboya University College, and Public Relations Society of Kenya (PRSK).

Dr. Njoroge holds a PhD degree from Kenyatta University; a master's degree in Intellectual Property (MIP) from Africa University, Zimbabwe; a Bachelor of law (LLB) from Mount Kenya University and Bachelor of Education (Arts) from Egerton University.



Ms. Fridah Kaberia
Ag. Executive Director

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.



Lt. Col. (Rtd) Bernard N. Njiraini
Managing Director, Kenya Bureau of
Standards(KEBS)

Lt. Col. (Rtd) Bernard Njiraini is a holder of Masters of Science in Mechanical Engineering and 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.



Ms. Phyllis Wakiaga
Former CEO,
Kenya Association of Manufacturers

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 the former CEO of Kenya Association of Manufacturers (KAM). Previously, she held the position of Head of Policy Research and Advocacy in the same institution. Her term at the ACA Board ended on 30th June 2022.



Mr. Joel Bett
The National Treasury and Planning

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 Chief Economist at the National Treasury and Planning.



Ms. Lilian Nyawanda
Kenya Revenue Authority, Commissioner
Customs & Border Control

Ms. Lilian Nyawanda has a broad experience in customs administration, policy and legislation having been part of various legislative reviews and changes. She was born on 14th April 1977. She is a high performer who has overseen successful projects such as the transitioning of Kenya, Uganda, Ethiopia, Nigeria, Ghana and Cameroun Customs & Excise functions into the Diageo Centre of Excellence. She is also credited for successfully implementing EGMS at KBL and UDV.

Ms. Lilian Nyawanda is currently pursuing her PHD in Public Policy & Administration from Walden University and is a member of the National Society of Leadership and Success (Sigma Alpha Pi Honor – Sep 2020).



Mr. Emmanuel Bitta
Office of the Attorney General

Mr. Bitta is a holder of Bachelor of Laws degree from Bangalore University, he also 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. His term at ACA Board ended on 28th February 2022.



Dr. Bruno Linyiru
Secretary Trade

Dr. Bruno Linyiru is the Secretary Trade, State Department for Trade and Enterprise Development. He was born in 1969. He holds a PhD in Entrepreneurship from JKUAT, an MBA in Finance and Bachelor of Commerce (Accounting option) from the University of Nairobi. He is also a Certified Public Accountant and additionally has trained in various WTO courses. Dr. Linyiru has served as a board member in various State Corporations and Ministerial Committees. He is a visionary, self-driven Finance and enterprise practitioner with over 25 years of both strategic and operational level experience in both Central government and State Enterprises.

As Secretary Trade he oversees the functions of International and Domestic Trade. Other key roles include overseeing the realization of the department's mandate of, Buy Kenya Policy, Promotion of Wholesale and Retail Markets, Export Promotion, Fair Trade Practices, Coordination of Regional Trade Matters, Trade Negotiations Services and Advisory Services and Enforcement of International Trade Laws, Regulations and Agreements.



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. His term at ACA Board ended on 31st December 2021.



Scholastica Mbilo
Office of the Attorney General

Scholastica Mbilo replaced Mr. Emmanuel Bitta on 1st March 2022. She was born in 1980. She is a skilled Attorney of over 17 years with in-depth knowledge and experience in public law litigation, democracy, governance and employment matters. She is a certified mediator and a Certified Secretary. Her core values include professionalism, integrity and accountability. She is currently a Deputy Chief State Counsel working with the Office of the Attorney General and Department of Justice.



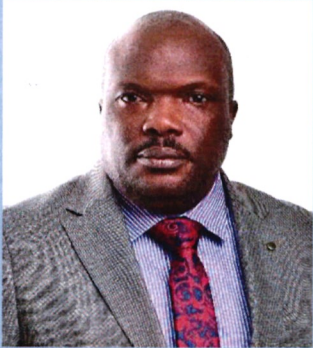


Oliver Konje
Ministry of Trade, Industrialization & Enterprise
Development

Mr. Konje replaced Dr. Bruno Linyiru on 14th June 2022 is an A.I.E holder for external trade directorate. He was born in 1963. He has been an alternate Director at EPC and later at KEPROBA. Appointed Co-Chair with SCAC to Merge Export Promotion Council and Brand Kenya Board to form Kenya Export Promotion and Branding Agency (KEPROBA), which was very successful and thereafter, appointed by the Office of President to be part of the team to Merge 5 State Corporation Agencies; KEPROBA, Kenya Yearbook, Kenya Investment Authority and Kenya Tourism Board in 2021. In 2022 appointed to Merger Implementation Committee by Office of the President to Merger KEPROBA, KTB and Tourism Research Institute to form Promotion Kenya.



Mr. Konje handles trade negotiations Bilaterally, Regionally and Multilaterally, promotes Trade activities and Development of Trade Policies.

III. MANAGEMENT TEAM

The management team is comprised of the following:

 <p>Dr. Robi Mbugua Njoroge Executive Director</p>	<p>The Executive Director was appointed from 1st August 2022. He is responsible to the Board in implementing the Authority’s Policy on fighting Counterfeiting; managing day to day activities of the Authority; and identifying, formulating and recommending strategic issues to the Board.</p>
 <p>Ms. Fridah Kaberia Ag. Executive Director MBA, BA (Econ), CPA(K), CS(K)</p>	<p>The Ag. Executive Director was responsible to the Board in implementing the Authority’s Policy on fighting Counterfeiting; managing day to day activities of the Authority; and identifying, formulating and recommending strategic issues to the Board during the reporting period.</p>
 <p>Dr. John Akoten Director Research, Policy & Quality Assurance PhD, MSc, BSc</p>	<p>Dr. Akoten is responsible for: Coordinating development of short, medium and long term institutional strategies; Coordinating internal and external research; Coordinating awareness programs in the Authority, and participating in the training of high level delegations; Liaising with the relevant ministries and institutions to develop and review curricula on Intellectual property rights at all levels of education; Developing of proposals for donor funding; Coordinating development of a robust performance management system and overseeing implementation of performance contracts as well as their monitoring and evaluation at all</p>

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	<p>levels & Coordinating development of systems, policies and QMS procedures.</p>
 <p>Mr. Johnson Adera Corporate Secretary & Director Legal Services LLM, LLB, CS(K)</p>	<p>Mr. Adera is responsible for Coordinating the preparation of respective board papers; Initiating policy research on legal issues; Reviewing legal documents/instruments, opinions and briefs; Taking legal actions where necessary to protect the interests of the Authority in pursuance of its mandate; Liaising with external law firms on litigation involving the Authority either in pursuance of its mandate or other claims; Providing legal counsel on legal and legislative issues impacting on the Authority; Providing legal support and services to the programmes in which the Authority will be involved and advising the Authority on legal issues; Coordinating prosecution of cases arising out of Enforcement of the Act; and carrying out the roles and responsibilities of Corporation Secretary as detailed in Mwongozo.</p>
 <p>Ms. Rephah Kitavi Ag. Director, Corporate Services Msc. Finance, BA (Econ), CPA (K), CISA</p>	<p>Ms Kitavi is responsible for Coordinating and overseeing recruitment, selections and promotions; Designing and implementing of an Accounting and Financial management system; Ensuring prudent management of financial, human and physical resources of the Authority; Coordinating the development and overseeing implementation of the Authority's Corporate Communication Strategy and oversee its implementation and Coordinating the branding of the Authority and it's promotion both locally and internationally.</p>



Mrs. Agnes Karingu
Deputy Director Education and Public
Awareness
MBA, BSc

Mrs. Karingu is responsible for development of training manuals, brochures, pamphlets and other publications on counterfeit matters; organizing and conducting regular awareness workshops and information sessions for the public in order to sensitize them on the dangers of counterfeit products.



Mr. Elijah Ruttoh
Deputy Director Research & Policy
M Econ, B.Ed

Mr. Ruttoh is in charge of collecting, collating and processing research data, disseminating research findings through publications and presentations. He is also responsible for coordinating the development and implementation of policies.



Ms. Mary Mwinga
Deputy Director Human Resource &
Administration
MA, BA, Higher Diploma HR

Ms Mwinga is responsible for Developing and reviewing on a continuous basis the training policies for staff to ensure relevance and adherence to the laid down policies and guidelines; Coordinating recruitments, appointments and promotions exercises; upholding staff discipline and secretary to the disciplinary committee; Establishing and maintaining a registry for proper storage of the Authority's documentation and files; Formulating and reviewing on continuous basis terms and conditions of service and Coordinating transport activities for the Authority both internal and overseas;



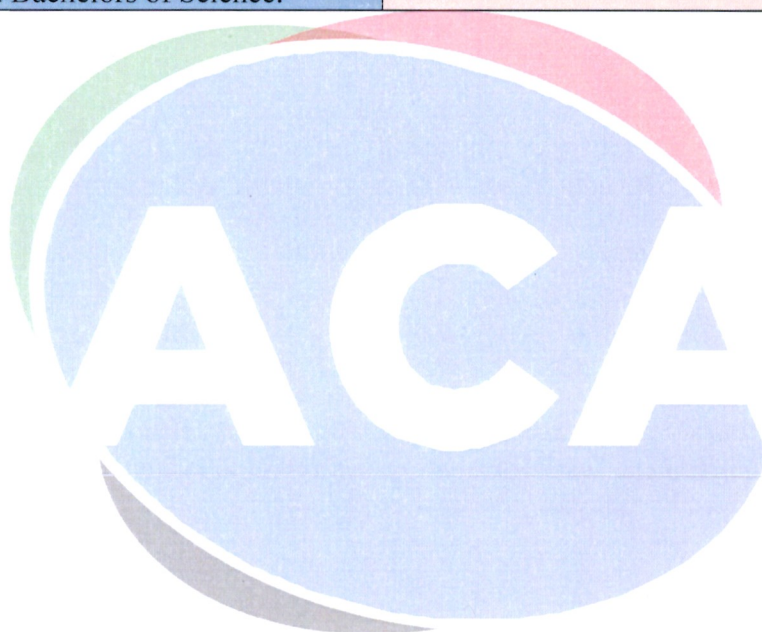
Mr. Naylor Mukofu
Deputy Director Legal Services
Advocate of the High Court, LLM, LLB

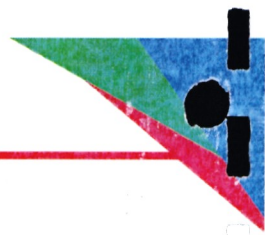
Mr. Mukofu is responsible for advising on amendment and drafting of legislation in relation to the Authority, negotiation and drafting of commercial contracts, international agreements, treaties and protocols on behalf of the Authority. Further, he is responsible for the provision of legal support and counsel and/or legal advice on all matters involving the Authority as well as ensuring creation of an enabling legal and regulatory framework and protection of the Authority's property and interests.



Mr. Lindsay Kipkemoi
Deputy Director Enforcement
Masters in Governance, Peace and Security
Management and Bachelors of Science.

Mr. Kipkemoi enforces measures aimed at combating counterfeiting and any other dealings in counterfeit goods by ensuring effective and efficient investigations, reviewing investigation files, acting on complaints from the owners of IPRs and ensuring support for prosecution of cases by availing witnesses and exhibits.





IV. CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors of Anti-Counterfeit Authority, I am pleased to present the Annual Report and Financial Statements for the period ended June 30, 2022. We build on the progress made in the last year by working closely with all stakeholders in the IP industry and law enforcement agencies to address the multiple and growing challenges posed by counterfeiting and illicit trade in the country as we move towards attaining Government Development “Big Four” Agenda, Vision 2030, MTP III (2018-2022), Sector Performance Standards, Sustainable Development Goals and Post Covid-19 Recovery Strategies and Plans.

Overview

Unlike the previous year, 2022 experienced reduced COVID-19 pandemic regulations and sanction operations as a result of compliance to the Ministry of Health COVID 19 regulations on social distancing and physical meetings. We have witnessed a return to the normal physical working hours with a dose of virtual meetings. With a hybrid operating system, we have seen improved employee productivity occasioned by flexibility and improved connectivity across the country.

Operating Environment

With the return to regular working hours in the post-COVID-19 pandemic era, I can confidently claim that we did, in fact, stand the test of time. No substantial risks to our health or safety or loss of life occurred. This can be attributable to the proactive measures we made to decrease physical meetings and, specifically, by switching to virtual and online meetings with our clients, in accordance with the Ministry of Health COVID 19 requirements. During that time, we placed a higher priority on the stakeholders' and our workers' health and safety.

During this time, the Authority observed a continuation of trade in Covid-19 pandemic demand-driven counterfeit goods such as facemasks, testing kits, and other Personal Protective Equipment. We seized suspected counterfeit goods worth Kshs. 78 million in total.

Because 2022 is an election year, there has been some politicization of the authority's work, with some traders alleging that the authority is anti-business. We engaged in targeted public awareness and strategic communication to reduce counterfeiting demand. Through live TV coverages, Roadshows, and various stakeholder engagements, the media, both traditional and online, has been a key partner in making it positive in the authority's work.

We also held several multi-agency and county-level sensitization forums for county and national government officers. In order to implement the National Action Plan against counterfeits and illegal trade, we have had several interactions with intellectual property rights holders, manufacturers, farmers, and universities, among others. Through intelligence-led enforcement operations and consumer-focused strategies, we increased surveillance, inspections, and seizures across the country.

Strategy

Combating counterfeiting and illegal trade necessitates a multi-agency strategic approach. The Authority continued to work in collaboration with national, regional, and international law enforcement agencies on enforcement, public awareness, and research to ensure that the vice is dealt with in a more sustained and effective manner.



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The Authority has been at the forefront of implementing the national action plan to combat illicit trade, which guides multi-agency teams on enforcement and public awareness to effectively address illicit trade issues. We also fully implemented the ACA Realigned 2019-2022 Strategic Plan, which was aligned with the government's policy to combat counterfeiting and other forms of illicit trade.

During this time, we also began work on the Authority's third strategic plan for the next five years, 2022/23 - 2026/27. All of these strategic plans have taken into account the implementation of the "Big 4 agenda," Africa Agenda 2063, the National Action Plan to Combat Illicit Trade, the third medium-term plan, and Vision 2030.

Risk Management

In order to manage the risks that may affect the implementation of planned activities during the period, the Authority has developed a Risk Management Policy and Framework. Strategy Implementation Risk, Financial Risk, Business Continuity Risk, and Reputational Risk are the major risks. These risks will be monitored and evaluated quarterly in order to identify contributing factors, mitigating actions, and anticipated outcomes.

We continued to take proactive measures and review our risk management process in anticipation and response to changes brought about by the COVID-19 pandemic in order to make informed decisions during these times of uncertainty.

Even after returning to our normal working environment, we used a hybrid system of physical meetings. These actions enabled the Authority to meet the planned targets for FY 2021/2022 despite the uncertainty.

Corporate Governance

Under the guidance of *Mwongozo*, the code of governance for state corporations, the Board of the Anti-Counterfeit Authority continues to strengthen its boardroom capabilities and provide policy direction. This is based on the need for strong corporate governance in order to achieve long-term success in delivering on ACA's strategy.

Future Outlook

The Authority also intends to implement the Anti-Counterfeit Integrated Management System, a transformative management system aimed at digitalizing its core operations of enforcement and case management, depot management, and intellectual property rights recording for imports into Kenya. This will improve the Authority's ability to prevent the importation of counterfeit goods while also increasing transparency and accountability in the processing and prosecution of IPR-related complaints.

The Authority will also implement its third strategic plan, 2022-2027^{3rd}, which highlights our priority areas for the next five years while taking into account previous experiences, challenges, risks, and opportunities. The Plan aims to improve the Authority's operational efficiency and effectiveness, as well as its image as a formidable opponent in the fight against counterfeit goods. This promotes economic growth in line with Kenya Vision 2030, Africa Agenda 2063, and the United Nations' Sustainable Development Goals.

Acknowledgement

Finally, we thank the Government of the Republic of Kenya through the Ministry of Industrialization, Trade and Enterprise Development, the National Treasury, the National Assembly Parliamentary

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Committee(s) on Trade and Industry, development partners led by the World Intellectual Property Organization, the US Embassy in Nairobi through the US Customs And Border Protection Nairobi, The TradeMark East Africa, and the United Kingdom's Department for International Development (DFID).

Many thanks also to fellow Board members for their tremendous support, teamwork, and professionalism in carrying out their various committee and full board roles. We thank the management and staff for your diligence and tireless efforts in achieving the set goals and objectives.



Ms. Flora Mutahi
Chairperson of the Board

V. REPORT OF THE EXECUTIVE DIRECTOR

Overview

The year 2022 saw a return to normal physical working hours and the resumption of near normal operations in all our branches, including the Jomo Kenyatta International Airport, thanks to revised COVID-19 pandemic regulations and sanctions that eased on social distancing and physical meetings. This has had a positive impact on our mandate of enforcing intellectual property rights and raising public awareness.

This success can be attributed to the Authority's indefatigable teams from the board, management, and staff as we close the chapter of the re-aligned Strategic Plan 2019 - 2022 and move into the next strategic plan 2022/23 - 2026/27.

Our COVID-19 Response

To protect our employees and stakeholders, the Authority continued to follow COVID 19 pandemic regulations as directed by the Ministry of Health and other authorities. Despite the relaxation of government regulations, we continue to implement protective measures in our offices, such as the provision of masks and sanitizers.

Performance and utilization of funds

The Authority received Kshs. 340,500,000 in recurrent funds from the National Treasury and Planning for the fiscal year FY 2021-2022. The Authority was also successful in raising Kshs. 14,103,026 through Appropriation in Aid (A-I-A) from complaint, destruction, and recordation fees. In fiscal year 2021/2022, the Authority had no pending bills. In addition, the Authority launched 27 awareness and sensitization campaigns across the country. The Authority received 81 intellectual property rights complaints and seized 275.17 million dollars in goods.

Annual work programme

In carrying out our mandate, the Authority investigated 245 cases of intellectual property rights infringements and had 168 cases resolved, including those carried forward from the previous year.

The Authority continues to use the Balanced Scorecard-based work plan to guide the implementation and monitoring of its strategic objectives, initiatives, and performance measures and indicators in order to improve operational efficiency and achieve the re-aligned 2019-2022 Strategic Plan targets.

Risk management and ISO compliance activities are in place to strengthen internal processes and improve service delivery. We have used ICT to drive strategic interventions aimed at fostering a customer-oriented culture by implementing the ACA Integrated Management System (AIMS). The implementation of the Intellectual Property Recordation System, which was launched in June 2022 and is scheduled to go live on January 31st, 2023, is critical to the AIMS deliverables. By discouraging the importation of counterfeit goods into the country, the Recordation system aims to improve law enforcement efficiency in combating counterfeiting.

The Authority remained at the forefront of multi-agency anti-illicit trade efforts, as outlined in the National Action Plan to Combat Illicit Trade's implementation matrix. During Fiscal Year 2021/2022, the Authority organized and participated in public outreach activities aimed at County Security Committees, County Business Communities, and the private sector, including media training.

Human Capital

Due to a pending merger with key parastatals, as recommended by the Presidential task force on parastatal reviews, the Authority has continued to operate at less than 50% of its optimum staffing level. With the approval of the Head of Public Service, we recruited and hired three new directors, including a substantive Executive Director. We continued to compensate employees and provide administrative and operational facilities as needed, while making significant progress in staff training and upskilling to improve overall organizational performance. During the fiscal year, we hired interns/attaches to help with critical areas. We also continued to implement the organization's culture and change management program in order to improve teamwork, group cohesion, and staff performance.

Future Outlook

We look forward to collaborating with all stakeholders in the public and private sectors to achieve our shared goal of promoting and protecting intellectual property through the rapid deployment of critical technologies.

The planned implementation of the IPR Recordal System will be critical in combating counterfeit importation into the country, and we hope that our stakeholders will embrace the new technology.


While the world continues to witness technological sophistication that is causing more harm than good in counterfeiting trademarks and holograms, as well as online sales, government agencies must be more optimistic and innovative in order to bridge the technological gap.

As a customer-focused government agency, we will continue to encourage online participation in enforcement matters, such as complaint filing and payment. We will use technology to conduct research surveys, surveillance, intelligence-based investigations, and criminal prosecutions.

The Authority should conduct market research to identify opportunities to make ACA an innovative Authority in areas such as enforcement, public awareness, and other areas tailored to meet customer expectations. Because the war on counterfeiting has a transnational and cross-cutting impact, it is necessary to conduct stakeholder mapping and identify relevant stakeholders and their approaches, particularly those from other government agencies and the private sector. The Authority's collaboration with them will be strengthened as a result of this.

Appreciation

Much appreciation to the Authority's Chairperson, Board of Directors, Management, and staff for their ongoing role playing and commitment during the period. We also thank all of our stakeholders in the public and private sectors, as well as our development partners. We thank the government, specifically the Ministry of Industrialization, Trade, and Enterprise Development, as well as the National Treasury and all of our stakeholders, for their cooperation and support in this war. We truly appreciate all of our stakeholders' collaborative spirit, and we look forward to greater collaboration to make Kenya "A Counterfeit-Free" Country full of hope for industrialization and investment.



Dr. Robi Mbugua Njoroge
Executive Director/CEO

**VI. STATEMENT OF ANTI-COUNTERFEIT AUTHORITY'S PERFORMANCE
 AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

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 2021/2022 period for its three (3) strategic pillars, as indicated in the diagram below:

	Strategic Objectives	Initiatives/Activities/ Sub-activities	Key Performance Indicators	Achievements, FY 2021/2022
Strategic Priority 1: Data-driven awareness, enforcement, and prosecution	S.O 1.1: To change consumer perception and attitudes against counterfeits	Package and implement thematic and tactical outreach programmes	Number of awareness programs/activities conducted	27
		Develop IEC materials	IEC materials	10,000 – Brochures 10,000 – Fliers 10,000 - Multi-Agency Booklets 15 -Roll-up Banners 10 – Feather Banners 6 – Sheet and Street Banners
		Leverage media coverage of enforcement and awareness activities	Media coverage	Media coverage done - live coverage of the World Anti-Counterfeit Day Live coverage with TV 47 and recording by Switch and Family TV and reporting of enforcement raid in Mombasa. Recording by Family TV on varied news items

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	Strategic Objectives	Initiatives/Activities/ Sub-activities	Key Performance Indicators	Achievements, FY 2021/2022
				Live interview on KTN, Citizen, k24 and TV 47. Met planned targets due to themed twitter chats during festive season and collaborative communication of #Biashara Tuesday
	S.O 1.2: To promote intelligence-led enforcement and enhance the efficiency and effectiveness of investigation and prosecution processes	Develop and operationalize the IPR recordation system	IPR recordal regulations	IP recordation launched
		Operationalize the compounding regulations	Compounding regulations	Compounding regulations developed and Gazetted
		To register IPR complaints received	Total no. of IPR complaints received	69
		Suo Moto matters picked up by ACA Investigation officers	Total no. of <i>suo moto</i> matters picked up and investigated	245
		Investigate and prosecute IPR cases	Total no. of cases registered in court	13
		Resolution of cases through ADR	No. of cases resolved through ADR	168
	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 80% complete
		Value of seized goods accounted for	Value of seized goods at the depot (Kshs. Million)	58.52

	Strategic Objectives	Initiatives/Activities/ Sub-activities	Key Performance Indicators	Achievements, FY 2021/2022
	S.O 1.4: To develop a mechanism for continuous intelligence gathering	To develop and implement an intelligence gathering system	Number of systems the enforcement has access.	The Authority got enhanced access to Kentrade system
		To conduct market intelligence surveys	No. of research surveys conducted	2
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	<p>Various activities were conducted in partnership with other institutions for cost-cutting: -</p> <p>Kenya - Uganda Agri-business summit & exhibitions (92 pax)</p> <p>IBRIC, direct partnership with Kenyatta University</p> <p>Tharaka Nithi County Regional sensitization for Universities, TVET and Research Institutions sensitization</p> <p>Nairobi KAM <i>Changamka</i> Expos in partnership with KAM</p> <p>Mombasa <i>Changamka</i> Expos in partnership with KAM</p>

	Strategic Objectives	Initiatives/Activities/ Sub-activities	Key Performance Indicators	Achievements, FY 2021/2022
				Thika Trade week in collaboration with Kiambu County Kenya Innovation week in partnership with Kenya National Innovation Agency Partnership with TV 47 for various recordings and media coverages Legal Awareness week in partnership with LSK Bar Owners sensitization in partnership with County governments Mount Kenya Farmers outreach in partnership with the County governments
	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
		Develop and implement the risk management framework	Percentage of implementation	80%

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	Strategic Objectives	Initiatives/Activities/ Sub-activities	Key Performance Indicators	Achievements, FY 2021/2022
		Compliance to <i>Mwongozo</i> 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	85%
	S.O 2.4: To foster a strong result-oriented culture and customer focus	Initiate an organization-wide cultural transformation program	Percentage implementation of the culture change program	65%
		Regularly review HR instruments to ensure compliance with relevant laws and issues	Human Resource manual, organization structure, career progression and staff establishment	Human Resource instruments reviewed
		Determine the level of customer satisfaction	Customer satisfaction index	87.6%
		Determine the level of employee satisfaction	Employee satisfaction index	65.9%
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	6

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	Strategic Objectives	Initiatives/Activities/ Sub-activities	Key Performance Indicators	Achievements, FY 2021/2022
		To undertake stakeholder capacity building and awareness	No. of programmes	16
	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	65%
		Establish strong collaboration with the county governments	No. of counties engaged in outreach and stakeholder capacity	10 – Kiambu, Kirinyaga, Laikipia Mombasa, Nairobi,Nyeri, Tharaka NithiThika, Trans Nzoia Uasin Gishu

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 supporting 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 that documents the Board's composition, roles, and responsibilities. This ensures the effectiveness of each Director's contribution to the Authority's governance by facilitating independent judgment, decision making, and professional competencies. The Charter guides the Board in carrying out 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 board's 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 Authority's highest governing body is the Board. The Board directs the Authority with leadership, integrity, and judgment in order to achieve long-term prosperity for the Authority and its stakeholders. The Anti-Counterfeit Act, No. 13 of 2008, specifies the composition of the Authority's Board. It is made up of the following nine people:

1. The Chairperson from amongst the members appointed by the Cabinet Secretary under number 8 below;
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 a transparent and accountable environment, as well as reviewing and monitoring proper corporate governance throughout the Authority. The board's responsibilities are clearly stated in both the ACA Act and the Board Charter. The board defines the Authority's purpose, strategic intent, objectives, and values. It ensures that policies and procedures are in place to safeguard ACA's assets and reputation.

The board retains complete and effective control over ACA and monitors management's implementation of the board's plans and strategies; it ensures ethical behavior and compliance with applicable laws and regulations, audit and accounting principles, corporate policies and procedures, and the Code of Ethics. It strives to go above and beyond the minimum requirements and compares performance to best practices from around the world.

The Board is specifically tasked with the following duties: -

- (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 major risks in its operating environment, including the development of risk policy plans/risk management policies and the implementation of appropriate measures to manage such risks or their anticipated impact on 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 established four (four) principal Committees, the terms of which set forth the committees' purposes, goals, and responsibilities, as well as qualifications for committee membership, procedure for appointment and removal, and committee reporting to the Board. This is intended to facilitate the Board's efficient decision-making in carrying out its duties and responsibilities.

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

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4. Audit and Risk Committee; Reviews financial information and ensures that the system of internal controls is effectively administered.

The Following is the list of all Board Committee members

Technical Committee	Human Resource Committee	Finance & General-Purpose Committee	Audit & Risk Committee
Col. Lt. (Rtd) Bernard Njiraini (Chair)	Phyllis Wakiaga (Chair)	Joel Bett (Chair)	Stephen Mutoro
Emmanuel Bitta	Stephen Mutoro	Dr. Bruno Linyiru	Joel Bett
Dr. Bruno Linyiru	Emmanuel Bitta	Col. Lt. (Rtd) Bernard Njiraini	Lilian Nyawada
Joseph Warioko	Scholastica Mbilo		Julius C. Macharia
Scholastica Mbilo			

Board Meetings

During the year under review the Authority's Board held 8 full board meetings. The Human Resource Committee held 4, meetings, Finance & General Purposes committee held 5 meetings; Technical Committee held 5 meetings and Audit & Risk Committee held 4 meetings which were attended as follows:

No	Board Member	Full Board	Technical Committee	Human Resource Committee	Finance & General-Purpose Committee	Audit & Risk Committee	Any Other Meetings e.g Induction, Adhoc, Field meetings
1.	Flora Mutahi	7					11
2.	Col. Lt. (Rtd) Bernard Njiraini	6	5		4		7
3.	Phyllis Wakiaga	7		4			9
4.	Joel Bett	8			5	4	12
5.	Emmanuel Bitta	5	4	3			7
6.	Dr Bruno Linyiru	7	5		5		14
7.	James Wang'ombe	5					2
8.	Scholastica Mbilo	3	1	1			4
9.	Lilian Nyawanda	6				2	1

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10	Stephen Mutoro	3		2		2	6
11	Joseph Wairiuko	1	4				1
12	Julius Chege Macharia	2				1	1
13	Benard Nguyo	1					1
14	Oliver Konje						1

Notes:

1. Mr. James Wang'ombe represents the Inspectorate of State Corporations.
2. Mr. Joseph Wairiuko is the alternate of Phyllis Wakiaga – Kenya Association of Manufacturers in the Technical Committee.
3. Mr. Benard Nguyo is the alternate of Col. Lt. (Rtd) Bernard Njiraini in the Technical and Audit & Risk Committee
4. Julius Macharia is the alternate of Lilian Nyawanda since 12th May, 2022.
5. Mr. Mutoro's term ended on 31st December, 2021.
6. Scholastica Mbilo replaced Emmanuel Bitta on 4th March, 2022.
7. Oliver Konje replaced Dr. Bruno Linyiru on 13th June, 2022.

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 of Kshs. 2,000 (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

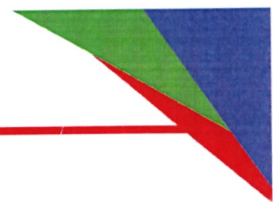
Board members are obliged to fully disclose to the Board during meetings any real or potential conflict, which comes to any member's attention, whether direct or indirect. Where a member discloses the conflict of interest, he or she is obliged to exclude himself/herself from any discussion or decision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



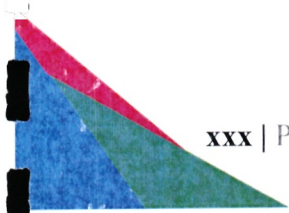
Code of Conduct and Ethics

Good corporate governance is ingrained at ACA as a valuable contributor to the Authority's long-term success through the creation of the right culture throughout the organization. Our decision-making processes are guided by the core values of diligence, integrity, and vigilance. The Authority operates in accordance with applicable legal principles and high ethical standards. The code and high standards of integrity are expected of the Board, Management, and employees. Furthermore, these standards apply to all interactions with customers, suppliers, and other stakeholders.

Employees are expected to adhere to the highest levels of professionalism in order to achieve corporate objectives. Employees are responsible for contributing to the Authority's good governance and upholding its reputation for integrity both inside and outside the workplace. The code of conduct establishes fundamental principles and guidelines that govern all employees' ethical and legal responsibilities at all levels. The provisions of the Public Officers Ethics Act, as well as any other statutes or regulations issued from time to time, apply to all employees.

Management Committee

The Committee is chaired by the Executive Director and includes all department heads, divisions, and units. The Committee is in charge of executing and implementing the Board's strategies. It considers policies and strategic measures in order to ensure the Authority's optimal performance. The Executive Director serves as a vital link between Management and the Board.



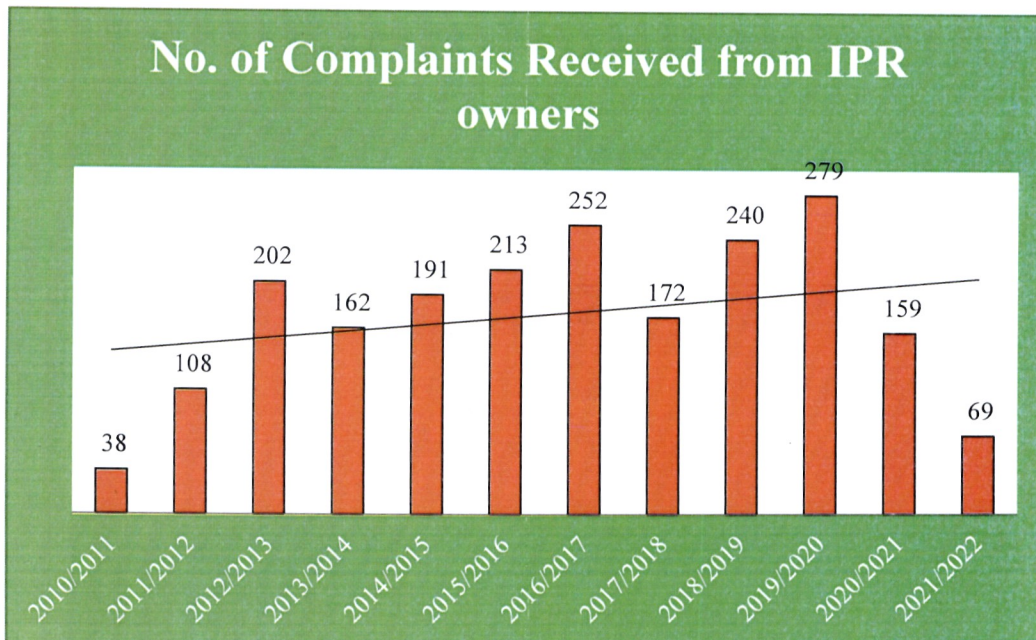
VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

Enforcement

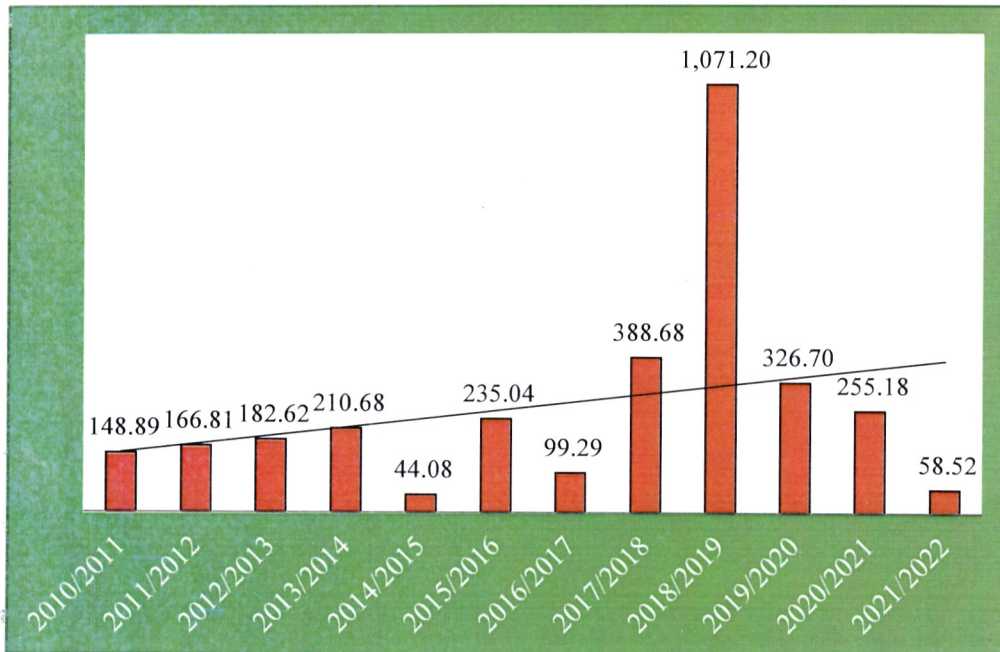
1. Intellectual Property Rights (IPR) complaints

The Authority received and registered over 500 IPR cases in the last three years. Despite the Covid-19 pandemic slowing down the operations, cases were still registered.



2. Value of Seized Goods

The Anti-Counterfeit Act of 2008 requires that any suspected infringing goods be seized and deposited at a counterfeit goods depot. Despite operations being slowed down due to covid-19 in the fiscal year 2020/21, the Authority continues to work toward fulfilling its mandate.



3. Value of Destroyed Goods

The Anti-Counterfeit Act of 2008 also mandates that all confiscated goods be destroyed in accordance with NEMA regulations. Seized goods are marked for destruction in three situations: when the courts determine that they are counterfeit and forfeit to the state for destruction; when the suspect abandons the goods; or when the suspect and IPR owner/agent enter into an ADR process and forfeit the goods to the state for destruction. The Authority has destroyed counterfeit goods worth over Kshs. 200 million in the last three years.





4. Purchase of Counterfeit Goods Depot

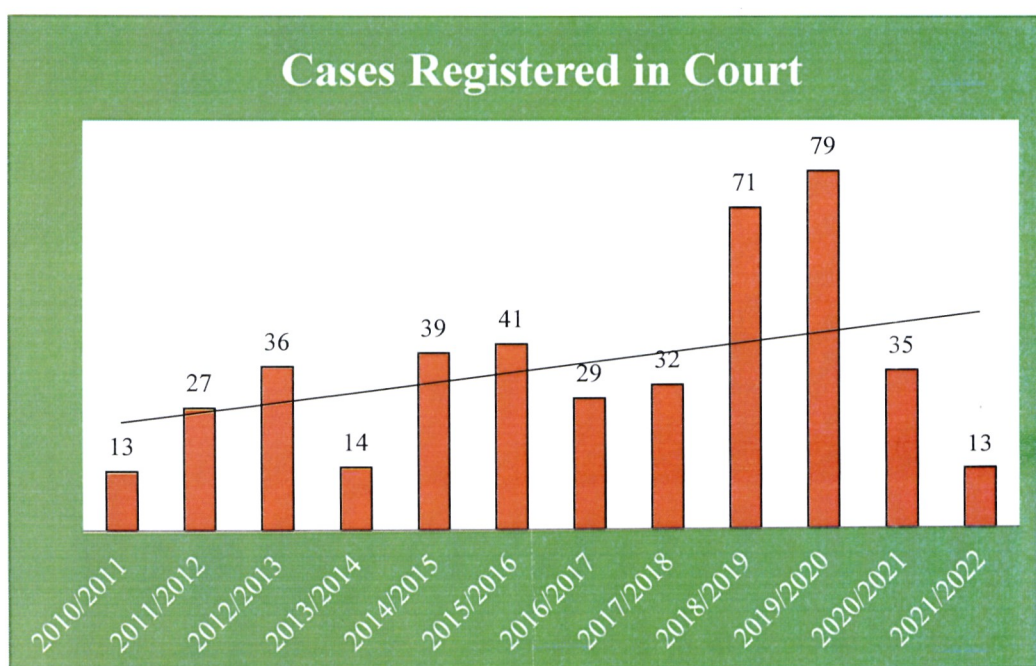
During the financial year, the Authority intended to purchase two seized goods holding depots. This is a three-year project that entails the purchase of four seized goods holding depots (10,000 square feet each) in strategic locations to store counterfeit goods as exhibits for use in law courts (at a cost of Kshs 212.5 million). The procurement process was still ongoing at the end of the fiscal year, and the Authority had identified two godowns in Nairobi.

The project's main goal is to make it easier for businesses to invest, compete, thrive, grow, create jobs, and reduce poverty by promoting genuine products in manufacturing, fertilizers, seeds, medicine, and construction materials. This is consistent with the national government's strategic objectives and policies.

Legal Services

Criminal Cases on Intellectual property right infringements

Cases arising from IPR infringements can be resolved through the courts or the Alternative Dispute Resolution process. ACA has recorded an average of over 42 cases in each of the last 3 financial years. All of these cases were registered in court.

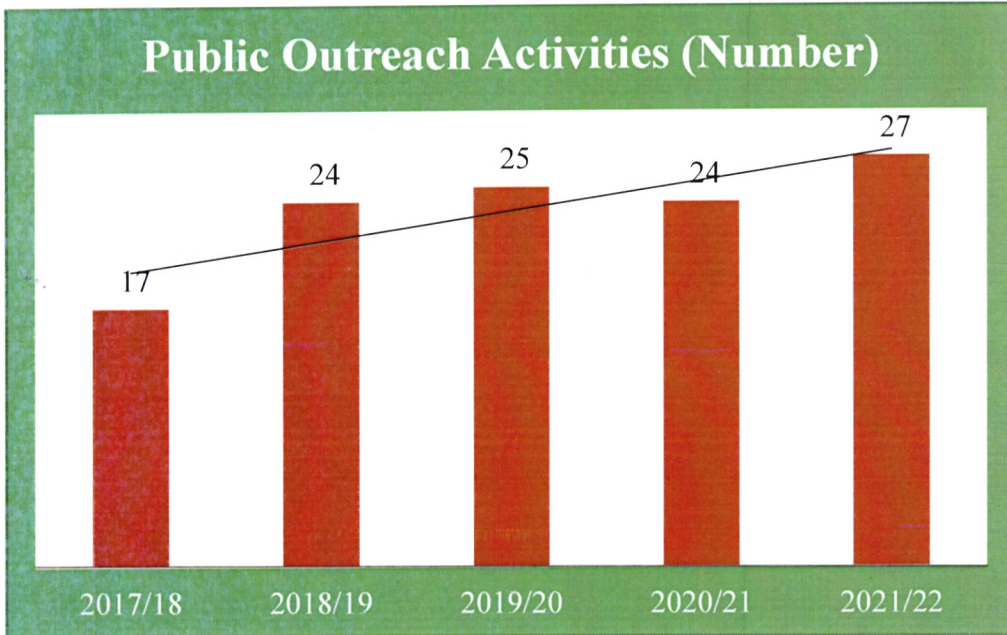


Research, Policy & Public Awareness

1. Public Awareness

The Authority has the mandate to create awareness to the public and also carry out research across the country to check on the trends of public awareness on matters of counterfeiting. In the FY 2021/22 the Authority did more activities on Public Awareness as compared to the previous FY 2020/21.





2. Productive Stakeholder Engagement

The Authority is also charged with developing and implementing counterfeiting training programs. This aims to increase the capacity of various stakeholders by providing them with the necessary skills and knowledge to deal with counterfeiting issues. For example, training for IPR holders/agents is intended to help them understand their role in raising IPR complaints and providing relevant information for the successful prosecution of IPR cases, whereas training for law enforcement officers and the judiciary is intended to equip them with skills to investigate and prosecute IPR infringements. The Authority has held fruitful stakeholder engagements. The Authority carried out 19 activities in fiscal year 2020/21, which increased to 22 in fiscal year 2021/22.



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 period 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
- Carried out a Market intelligence survey on counterfeit trade routes and consumer attitudes towards counterfeits in selected counties in Kenya
- Carried out surveys to determine the level of counterfeiting and public awareness on matters of counterfeiting among the "Big Four" agenda sectors in Kenya
- Customer satisfaction surveys
- Employee satisfaction surveys
- Corruption perception surveys

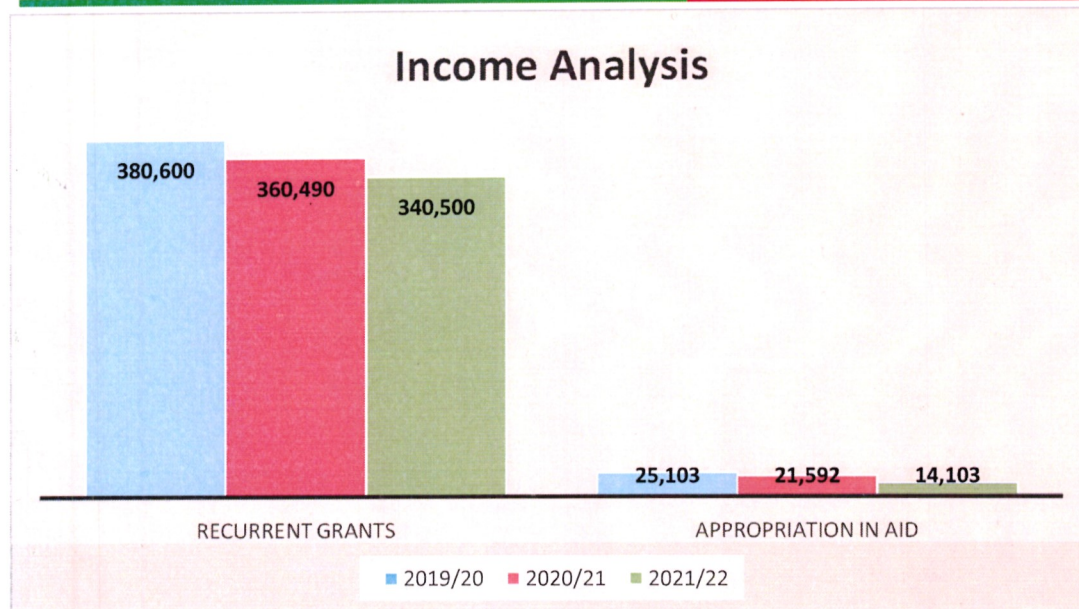
Corporate Services

1. Government Grants

The Authority received recurrent grants of Kshs. 340,500,000 during the period of review down from Kshs. 360,490,000 from the previous period.

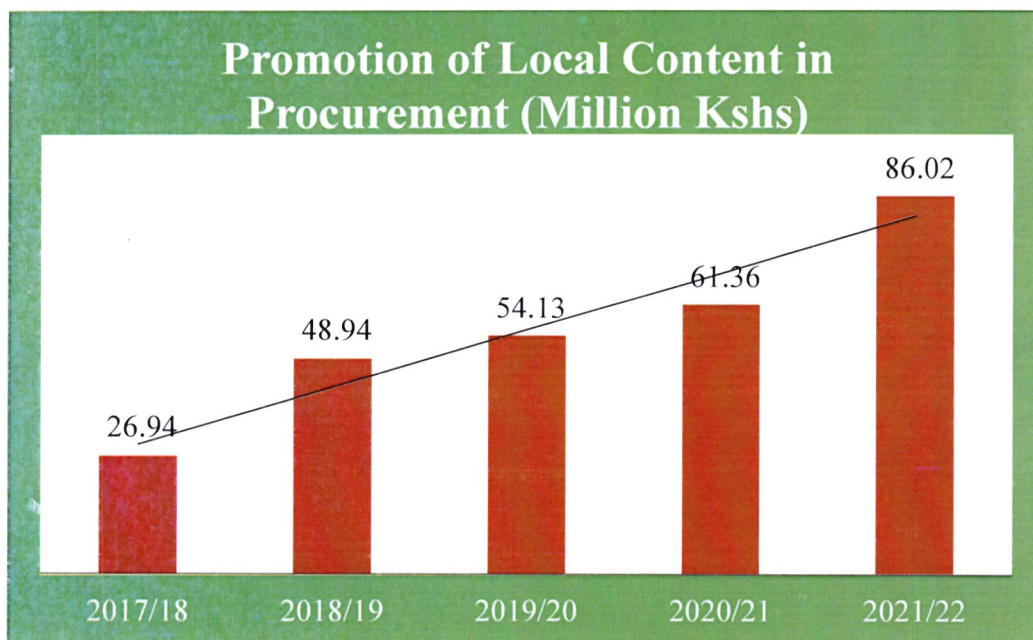
2. Appropriation-in-Aid

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. 14.103 million. The table below shows the income received by the Authority for the last 3 years (the amount is in Kshs. '000).



Promotion of Local Content in Procurement

Similarly, the Authority has been implementing the Buy Kenya, Build Kenya policy by procuring goods and services with local content. In fiscal year 2021/22, the value increased from 61.36 million to 86.02 million.



3. Youth Internships/Industrial Attachments

The Authority has been offering internship and industrial attachment opportunities to the youth. Within the last 2 financial years of 2020/21 and 2021/22, the Authority has increased the number of opportunities from 37 to 55 respectively



The following are the trends for employee and customer satisfaction surveys over the years:

Customer satisfaction index

The Authority is committed to serving the public and making sure the services are well delivered. In the last 3 years, there has been a commendable improvement in the level of customer satisfaction index.



Employee satisfaction index

ACA focuses on its work environment and its employees' contentedness, for this, the Authority carries out the employee satisfaction survey to determine the index. Despite being at a low level during the covid-19 period, the index has moved up to 65.90% from 65.67% in the previous financial year of 2020/21.





Authority's Compliance with statutory requirements

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

Key projects the Authority is implementing

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

1. Digitization of ACA operations
2. National Baseline Survey on Counterfeiting and other Forms of Illicit Trade

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	<p>The following are the key achievements for the reporting period:</p> <ul style="list-style-type: none"> • Continuous update of the National Illicit Trade Observatory to monitor trends and Track Implementation of Recommendations of the National Baseline Survey on the Extent of Counterfeiting and Illicit Trade in Kenya

Development of the ACA Integrated Management System (AIMS)	System development is at advanced stages; The achievements for the reporting period and the key upcoming activities are itemized below: <ul style="list-style-type: none"> • Continuous user testing and enhancement of the system. • Launch of the recordation system
ICT Infrastructure upgrade	The key achievements for the reporting period and the ongoing activities are itemized below: <ul style="list-style-type: none"> • Delivery and Installation of all hardware and software finalized. • Technical training undertaken. • Documentation and knowledge transfer undertaken.
Change Management	The key achievements for the reporting period and the ongoing activities are itemized below: <ul style="list-style-type: none"> • User testing and piloting of the AIMS system with ACA staff. • Initial engagements with external stakeholders on the system under development.

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

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		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 government policy		Establish presence at the border points
2	Insecurity of staff	Insufficient armed police officers during enforcement operations	High	Engage the National Government policy makers
3	Financial risks	Inadequate funding	Moderate	MOUs with NPS for facilitation during operations
		Delay in exchequer disbursements		Implement the resource mobilisation strategies
				Ensure timely requests for exchequer disbursements
4	Discontinuity of operations in the event of a disaster	Inadequate business continuity and Disaster recovery plans	Moderate	Establish an offsite data site

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. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

As a body corporate, the Anti-Counterfeit Authority exists to transform lives. In protection of Intellectual Property rights, many lives are transformed by the various innovations in the IPR landscape. We mould our strategy based on this background and putting the customer/Citizen first, delivering quality services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

1. Sustainability strategy and profile

The Authority in line with best corporate practices has put in place a Corporate Social Responsibility Policy and has a CSR Committee that initiates CSR Activities within the corporate work plans to address fundamental challenges that face our society in the spirit of Sustainable Development Goals – the global development agenda to be achieved by 2030.

We partnered with the private sector in joint programs in awareness and enforcement to supplement existing budgets and to cut costs. As a sustainability measure, we have a resource mobilization strategy in place to target external resources and build synergies both with government agencies as well the private sector and development partners. Further the implementation of recordation regulations will lead to increase in sources of funding for the Authority's operations.

2. Environmental performance

In regard to delivering on the environmental dimensions of the 2030 Agenda for Sustainable Development, the Authority is in the fourth year of implementing a paperless board solution thus remaining true to the tenets of environmental sustainability yielding a positive net impact for both the organization and the environment as a whole.

The Authority is also implementing the ACA Integrated Management System that seeks to automate key operational process in enforcement case management and depot management. In an effort towards achieving of Goal 13 of the Sustainable Development Goals on urgent action to combat climate change and its impacts on the environment, the Authority procures NEMA certified destruction facilities that comply with environmental standards in destruction of counterfeit goods.

Due to the environmental impact and limited capacity of destruction facilities available, the Authority has not destroyed fluorescent counterfeit goods seized due to challenges in suitable means of disposing the goods.

3. Employee welfare

To achieve Goal No. 5 of the Sustainable Development Goals on achieving gender equality and empower all women and girls, the Authority has achieved and maintained gender equality in senior management and board positions.

The Authority also complies with relevant Kenyan laws on affirmative action and has in place the ACA Human Resource policy that respects equal pay for work of equal value, 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.

During and after of the COVID 19 pandemic time, the management introduced Flexible work options through social distancing and working from home options. 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).

On succession management ACA identifies potential talent gaps and seek to remedy those gaps through the development and progression of staff. ACA has in place a policy on succession planning to ensure that we have requisite skills for seamless operations in case of a transition.

4. Market place practices-

a) Responsible competition practice.

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 reporting platforms for confidential reporting to safeguard consumer inquires and interests.

The Authority requires staff to maintain political neutrality as per Public Service code of conduct. The Authority in combating trade in counterfeit contributes towards promotion of fair trade practices and ease of doing business in the country. Trade in counterfeits is a key detriment of fair trade in the country.

The Authority also works with other government agencies in enforcement and public outreach programs aimed at increasing synergy in the war against illicit trade in the country.

b) Responsible Supply chain and supplier relations

In compliance with the Public Procurement and Asset Disposal Act, 2015 and Public Procurement and Asset Disposal Regulations 2020, the Authority endeavours to achieve the highest degree of professionalism, transparency, legal compliance and value for money in the procurement processes. The Supply Chain Management Department strategically plans towards assured best return and value for money through comprehensive contract management, guaranteed protection of our money value while building stronger and healthier relationships with our suppliers.

In line with Public Procurement and Asset Disposal Act of 2015 and Public Finance Management Act of 2012, the Authority initiates transparent and accountable procurement process in order get value for money from goods, services and works procured.

In compliance with government directive on Access to Government Procurement Opportunities (AGPO) in order to promote empowerment of the special groups ACA allocated Kshs. 25,818,645.00 for available opportunities for special groups. We also sensitized and created awareness on Access to Government Procurement Opportunities to Special Groups. These sessions were spearheaded by the Supply Chain Division.

c) Responsible marketing and advertisement

In line with modern trend on growing social media, the Authority has in place online platforms in Facebook, Twitter and an interactive website to regularly communicate about the affairs of the Authority.

We have a Media and communication policy to curtail increased mis-information that is rampant in our virtual world. We regularly communicate in our social media platforms inadvertently to avoid misinformation that can injure our corporate reputation.

d) Product stewardship

In our efforts to safeguard consumer rights and interests, we continue to leverage in ACA social media platforms in Twitter, Facebook and the website to sensitize the general public on dangers of counterfeit products particularly relating to face masks and sanitizers.

The Authority has in place measures to mitigate the adverse effects of Covid-19 and recovery strategies to protect the genuine manufacturers and consumers from unfair competition from unhealthy and unsafe products.

5. Corporate Social Responsibility / Community Engagements

Through the ACA CSR Committee, we contributed towards the construction of toilets and changing rooms at Kenya's Administrative Police Unit camp. The camp houses officers attached to the Authority. The objective was to enhance ACA multi-agency relations and improve sanitation of the congested police camp to protect vulnerable police members from Covid-19 infections.

We continued to promote road safety endeavour by issuing road-safety reflector Jackets to *Boda Boda* Riders in various towns across the country. The Authority has also mainstreamed road safety requirement with a management committee and training of staff internally.

In line with government directives to offer Youth Internships/Industrial Attachments/ Apprenticeships, during the reporting period, we attached 55 youths in various departments giving opportunities to deserving Kenyans with a view to impart the requisite knowledge and practical experience or exposure in readiness for the job market.



Handing over of the AP camp changing rooms



Inside the changing rooms equipped with beds and lockers.



ACA staff visiting the Kenya's Administrative Police Unit

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Authority's affairs.

i) 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.

ii) Results

The results of the Authority for the year ended June 30, 2022 are set out on page 1.

iii) Directors

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

Surplus remission

In accordance with Regulation 219(2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit in to Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority is not classified as a regulatory authority and therefore did not remit surplus funds to the Consolidated Fund.

iv) 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


Dr. Robi Mbugua Njoroge
Executive Director/CEO
Date: 01.02.2023

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, 2022. 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, 2012 and the Anti-Counterfeit Act 2008. 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, 2022 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 30th August, 2022 and signed on its behalf by:

Signature:

Name: Flora Mutahi

Chairperson of the Board

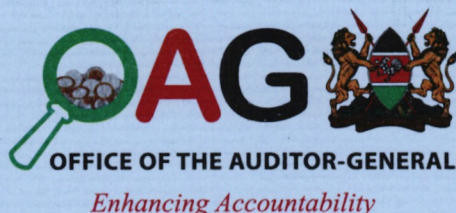
Signature:

Name: Dr. Robi Mbugua Njoroge

Executive Director/CEO

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON ANTI-COUNTERFEIT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Anti-Counterfeit Authority set out on pages 1 to 32, which comprise of the statement of financial position as at

30 June, 2022, 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, the Public Finance Management Act, 2015 and the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Anti-Counterfeit Authority as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Anti-Counterfeit 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 and as disclosed in Note 23 to the financial statements, 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.6,361,600 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 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.

In the circumstances, the financial effect of the outcomes of the pending legal proceedings against the Authority could not be determined.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matter

In the audit report of the previous year, an issue was raised under Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issue or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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 of Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis of Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of its series and using the applicable 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.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 overall 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 Controls would not necessarily disclose all matters in the internal controls 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 Controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 controls 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

15 February, 2023

**XIII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021-2022 Kshs	2020-2021 Kshs
Revenue from non-exchange transactions			
Transfer from SDT&ED	6(a)	340,500,000	360,490,000
		340,500,000	360,490,000
Revenue from exchange transactions			
Rendering of services	7	14,075,396	20,198,566
Other income	8	19,499	-
Total Revenue from exchange transactions		14,094,895	20,198,566
Total revenue		354,594,895	380,688,566
Expenses			
Use of goods and services	9(a)	110,951,334	123,820,084
Employee costs	10(a)	228,504,210	229,576,222
Board Expenses	11	9,806,480	10,016,422
Depreciation and amortization expense	12	11,642,570	16,808,743
Repairs and maintenance	13	3,573,862	3,757,881
Total expenses		364,478,456	383,979,352
Other gains			
Gain on foreign exchange transactions		27,630	104,816
Deficit for the year		(9,855,931)	(3,185,970)

The notes set out on pages 6 to 34 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



.....
Executive Director
Dr. Robi Mbugua Njoroge

Date: 01.02.2023



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

Date: 01.02.2023



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

Date: 01.02.2023

**XIV. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Note	2021-2022 Kshs	2020-2021 Kshs
Assets			
Current assets			
Cash and cash equivalents	14	443,405,859	429,393,825
Current portion of receivables from exchange transactions	15	6,959,857	11,591,458
Receivables from non-exchange transactions	16	-	21,017,410
Inventories	17	3,123,560	3,906,039
		453,489,276	465,908,732
Non-current assets			
Property, plant and equipment	18	5,167,407	16,809,977
		5,167,407	16,809,977
Total assets		458,656,683	482,718,709
Liabilities			
Current liabilities			
Trade and other payables	19	6,594,836	13,980,772
Current Provisions	20	368,863	7,189,022
Total liabilities		6,963,699	21,169,794
Net assets			
Reserves – General reserve		115,874,996	115,874,996
- Development Fund		112,500,000	112,500,000
- Revaluation		15,904,628	15,904,628
Accumulated surplus		207,413,360	217,269,291
Total Net assets		451,692,984	461,548,915
Total net assets and liabilities		458,656,683	482,718,709

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



.....
Executive Director
Dr. Robi Mbugua Njoroge

Date: 01.02.2023



.....
Head of Finance
Ms. Rephah Kitavi
ICPAK No: 11437
Date: 01.02.2023



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

Date: 01.02.2023

**XV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	General reserve Kshs	Development Fund Kshs	Revaluation Reserve Kshs	Accumulated surplus Kshs	Total Kshs
At July 1, 2020		115,874,996	112,500,000	15,904,628	220,455,261	464,734,885
Surplus for the period			-	-	(3,185,970)	(3,185,970)
Depreciation		-	-	-	-	-
Development Grants received during the year		-	-	-	-	-
At June 30, 2021		115,874,996	112,500,000	15,904,628	217,269,291	461,548,915
At July 1, 2021		115,874,996	112,500,000	15,904,628	217,269,291	461,548,915
Deficit for the year			-	-	(9,855,931)	(9,855,931)
At June 30, 2022		115,874,996	112,500,000	15,904,628	207,413,360	451,692,984

Note:

1. The development fund is for acquisition of depots to be used for storage of seized suspected counterfeit goods.

ANTI-COUNTERFEIT AUTHORITY (ACA)
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

**XVI. STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6.b	360,500,000	340,490,000
Rendering of services	7	14,075,396	20,198,566
Foreign exchange gain		27,630	104,816
Total Receipts		374,603,026	360,793,382
Payments			
Use of goods and services	9.b	(112,348,467)	(121,734,311)
Employee costs	10.b	(234,862,183)	(231,250,992)
Board expenses	11	(9,806,480)	(10,016,422)
Repairs and maintenance	13	(3,573,862)	(3,757,881)
Total Payments		(360,590,992)	(366,759,606)
Net cash flows from operating activities		14,012,034	(5,966,224)
Cash flows from investing activities			
Development grant		-	-
Purchase of property, plant and equipment		-	-
Purchase of intangible assets		-	-
Decrease/ increase in non-current receivables		-	-
Net cash flows used in investing activities		-	-
Net increase/(decrease) in cash and cash equivalents		14,012,034	(5,966,224)
Cash and cash equivalents at 1 JULY	14	429,393,825	435,360,049
Cash and cash equivalents at 30 JUNE	14	443,405,859	429,393,825



.....
Executive Director
Dr. Robi Mbugua Njoroge

Date: 01.02.2023



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

Date: 01.02.2023



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

Date: 01.02.2023

Note: The Statement of Cash Flow was prepared using the direct method as recommended by the Public Sector Accounting Standards Board.

ANTI-COUNTERFEIT AUTHORITY (ACA)
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	in
Revenue						
Government grants – Recurrent	340,500,000	-	340,500,000	340,500,000	-	100
Rendering of services	20,000,000	-	20,000,000	14,075,396	(5,924,604)	70
Rolled over funds	25,000,000	20,500,000	45,500,000	-	(45,500,000)	
Other Income	-	-	-	19,499	19,499	
Foreign exchange gain	-	-	-	27,630	27,630*	
Total income	385,500,000	20,500,000	406,000,000	354,622,525	(51,377,475)	
Expenses						
Use of Goods and services	111,335,530	150,900	111,486,430	110,951,334	535,096	99.5
Employee costs	262,064,470	18,110,716	280,175,186	228,504,210	51,670,976	82
Board expenses	9,000,000	1,470,000	10,470,000	9,806,480	663,520	94
Depreciation	-	-	-	11,642,570	-	
Repairs and maintenance	3,100,000	768,384	3,868,384	3,573,862	294,522	92
Total expenditure	385,500,000	20,500,000	406,000,000	364,478,456	530,164,114	
Surplus for the period	-	-	-	(9,855,931)	-	
Capital Expenditure	-	-	140,000,000	-	-	

Notes to explain the variance:

1. Rendering of services – The underachievement in revenue collection was due to the political and economic environment which reduced operations, lack of proper access on the Kentrade system hindering the profiling of imports into the country and exit of the Authority's staff from the port
2. Employee costs – The Authority completed recruitment of approved staff but they reported at the beginning of Financial Year 2022-2023.
3. 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 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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, 2012, the Anti-Counterfeit Act, 2008 and Accrual Basis of Accounting Method under 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. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: 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:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i>

Standard	Effective date and impact:
41, Financial Instruments	<p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. **Early adoption of standards**

The Authority did not early - adopt any new or amended standards in the financial year 2021/2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

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.

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 2020-2021 was approved by the National Assembly on 11th June 2020. 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. 20,000,000 on the 2020-2021 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.

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%
- 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) 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.

s) 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 of Directors, Executive Director and Deputy Directors.

t) 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.

u) 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.

v) Comparative figures

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

w) 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, 2021.

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.

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.

6. (a) Transfers from Ministries, Departments and Agencies

State Department for Trade & Enterprise Development	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers 2021-2022 KShs	Prior year 2020-2021 KShs
State Department for Trade & Enterprise Development	340,500,000	-	-	340,500,000	360,490,000
Total	340,500,000	-	-	340,500,000	360,490,000

(b) Transfers from Ministries, Departments and Agencies Cash Reconciliation

State Department for Trade &	Amount recognized to Statement of	Amount deferred under	Amount recognised in capital fund.	Total transfers 2021-2022	Prior year 2020-2021

Enterprise Development	Comprehensive Income KShs	deferred income KShs			
			KShs	KShs	KShs
State Department for Trade & Enterprise Development	340,500,000	-	-	340,500,000	360,490,000
Receivable grants	-	-	-	20,000,000	(20,000,000)
Total	340,500,000	-	-	360,500,000	340,490,000

7. Rendering of services

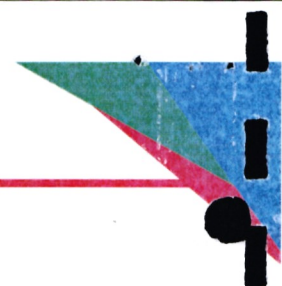
Description	2021-2022	2020-2021
	Kshs	Kshs
Registration of complaints fees	2,002,816	3,834,618
Destruction and storage fees	11,933,225	16,363,948
Recordation Fees	139,355	-
Total revenue from the rendering of services	14,075,396	20,198,566

8. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Income from staff recoveries	19,499	-
Total other income	19,499	-

9. (a) Use of goods and services

Description	2021-2022	2020-2021
	Kshs	Kshs
Communication supplies and services	5,457,556	4,931,717
Printing, advertising and services	1,813,254	1,417,367
Uniforms, Safety gear and specialized materials	-	5,677,596
Domestic travel and daily subsistence allowance	21,684,445	22,209,266
Foreign travel and daily subsistence allowance	1,542,852	-
Audit fees	800,000	722,000
Hospitalities and services	4,017,691	3,332,576
Professional and consultancy services	2,992,434	2,631,662
Awareness & Promotional activities	15,636,832	20,560,808
Office and General supplies/services	5,001,000	5,614,714
Electricity	2,341,462	1,915,039



Fuel, oil and lubricants	3,215,051	3,945,647
General Insurance	1,695,214	1,521,194
Bank & Mpesa charges	221,402	219,639
Destruction charges	-	2,494,500
Transport cost- for seized goods	84,592	145,900
Research	3,629,946	4,468,250
Rental	32,831,642	32,389,570
Security costs	2,250,560	2,358,800
Corporate social responsibility	199,580	-
Parking charges	1,656,640	1,148,530
Membership and subscription fees	1,185,520	674,615
Training	2,693,661	5,440,694
Total use of goods and services	110,951,334	123,820,084

(b) Use of goods and services Cash Reconciliation

Description	2021-2022	2020-2021
	Kshs	Kshs
Communication, supplies and services	5,457,556	4,931,717
Printing, advertising and services	1,813,254	1,417,367
Uniforms, Safety gear and specialized materials	-	5,677,596
Domestic travel and daily subsistence allowance	21,684,445	22,209,266
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Rental	32,831,642	32,389,570
Security costs	2,250,560	2,358,800
Corporate social responsibility	199,580	-
Parking charges	1,656,640	1,148,530
Membership and subscription fees	1,185,520	674,615
Training	2,693,661	5,440,694
Less: Current year payables	(6,583,849)	(13,980,772)
Add: Previous year payables	13,980,772	8,089,599



Less: Previous year prepayments	(5,840,519)	(2,881,764)
Add: Current year prepayments	1,640,618	5,840,519
Less: Previous year inventory	(3,906,039)	(4,076,804)
Add: Current year inventory	3,123,560	3,906,039
Less: Previous year staff receivables	(1,017,410)	-
Add: Current year staff receivables	-	1,017,410
Total use of goods and services	112,348,467	121,734,311

10. (a) Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	186,350,098	186,082,586
Employee related costs - contributions to pensions, NSSF and medical aids	39,977,364	41,997,422
Casuals and interns	1,625,438	959,626
Employee related costs - contributions to staff gratuity	551,310	536,588
Employee costs	228,504,210	229,576,222

(b) Employee Costs Cash Reconciliation

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	186,350,098	186,082,586
Employee related costs - contributions to pensions, NSSF and medical aids	39,977,364	41,997,422
Casuals and interns	1,625,438	959,626
Employee related costs - contributions to staff gratuity	551,310	536,588
Less: Previous year Medical and WIBA prepayments	(5,750,939)	(5,816,043)
Add: Current year Medical and WIBA prepayments	5,319,239	5,750,939
Less: Current year gratuity payable	(368,863)	(340,921)
Add: Previous year gratuity payable	340,921	4,007,096
Less: Current year employee liability payable	(10,987)	(6,848,102)
Add: Previous year employee liability payable	6,848,102	4,921,801
Less: Staff recovery	(19,499)	-
Employee costs	234,862,184	231,250,992

11. Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Board committees' conferences and seminars	460,540	453,800
Sitting allowances	4,120,000	5,420,000
Other allowances	4,422,165	3,098,622
Chair's Honoraria	803,775	1,044,000
Total Board expenses	9,806,480	10,016,422

12. Depreciation and amortization expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	11,642,570	16,671,036
Intangible assets	-	137,707
Depreciation govt. grant restatement	-	-
Total depreciation and amortization	11,642,570	16,808,743

13. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Buildings and stations	515,330	321,831
Vehicles and Cycles	2,036,863	2,833,998
Furniture and Equipment	47,880	59,240
Computers and accessories	905,970	531,812
Communication Equipment	67,820	11,000
Total repairs and maintenance	3,573,862	3,757,881

14. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
a) Current account –Kenya Commercial Bank 1119056322	260,420,196	248,056,036
Kenya Commercial Bank 1128466090	27,652,911	25,998,319
Kenya Commercial Bank 1137615168	155,007,653	155,014,371
MPESA 991653	325,099	325,099
Total cash and cash equivalents	443,405,859	429,393,825

15. Receivables from exchange contracts

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Medical insurance	5,018,359	5,435,846

Rent	1,024,012	4,642,097
Service Charge	-	392,802
Group Personal Insurance	300,880	315,093
Parking	-	280,000
General Insurance	616,606	525,620
Fuel	-	-
Total current receivables	6,959,857	11,591,458

16. Receivables from non-exchange contracts

Description	2021-2022	2020-2021
	Kshs	Kshs
Government recurrent grants	-	20,000,000
Staff imprests	-	1,017,410
Total	-	21,017,410

17. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable stores	3,123,560	3,906,039
Total inventories at the lower of cost and net realizable value	3,123,560	3,906,039

18. Property, Plant and Equipment

Cost	Motor vehicles		Furniture and fittings		Computers		Office Equipment		Leasehold Improvement		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 th June 2020		111,003,476	33,347,582	24,356,300	16,798,702	37,890,596					223,396,656	
Additions		-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2021		111,003,476	33,347,582	24,356,300	16,798,702	37,890,596					223,396,656	
Additions		-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2022		111,003,476	33,347,582	24,356,300	16,798,702	37,890,596					223,396,656	
Depreciation												
At 30 th June 2020		(97,666,441)	(26,797,614)	(20,946,391)	(13,955,159)	(30,550,039)					(189,915,644)	
Depreciation		(7,270,392)	(1,702,811)	(3,170,171)	(821,094)	(3,706,568)					(16,671,036)	
At 30 th June 2021		(104,936,833)	(28,500,425)	(24,116,562)	(14,776,253)	(34,256,607)					(206,586,680)	
Depreciation		(6,066,642)	(1,635,123)	(162,914)	(662,778)	(3,115,113)					(11,642,570)	
At 30 th June 2022		(111,003,475)	(30,135,548)	(24,279,476)	(15,439,031)	(37,371,720)					(218,229,250)	
Net book values												
At 30 th June 2021		6,066,642	4,847,157	239,738	2,022,449	3,633,990					16,809,976	
At 30 th June 2022		-	3,212,034	76,824	1,359,671	518,874					5,167,407	

Property plant and Equipment includes motor vehicles with economic value and items in the following asset that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Computers and related equipment	23,377,840	7,784,821
Office equipment, furniture and fittings	32,381,141	4,047,643
Total	55,758,981	11,832,464

19. Trade and other Payables

Description	2021-2022 Kshs	2020-2021 Kshs
Trade payables	4,983,849	12,380,772
Audit Fees (Provision)	1,600,000	1,600,000
Employee Payable (Final dues)	10,987	-
Total trade and other payables	6,594,836	13,980,772

20. Current provisions

Description	Gratuity Kshs	Employer pension contribution for suspended staff Kshs	Half basic salary for suspended staff Kshs	Total Kshs
Balance b/d 01.07.2021	340,921	893,231	5,954,871	7,189,023
Additional provisions	551,310	-	-	551,310
Provisions utilized	(523,368)	(893,231)	(5,954,871)	(7,371,470)
Total Provisions as at 30.06.2022	368,863	-	-	368,863

21. 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 minimize 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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs
At 30 June 2022			
Receivables from exchange transactions	6,959,857	6,959,857	-
Receivables from non-exchange transactions	-	-	-
Bank balances	443,405,859	443,405,859	-
Total	450,365,716	450,365,716	-
At 30 June 2021			
Receivables from exchange transactions	11,591,458	11,591,458	-
Receivables from non-exchange transactions	21,017,410	21,017,410	-
Bank balances	429,393,825	429,393,825	-
Total	462,002,693	462,002,693	-

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 2022				
Trade payables	4,879,599	-	104,250	4,983,849

Employee payable (Final dues)	-		10,987	10,987
Provisions (audit fees)	800,000	-	800,000	1,600,000
Gratuity	368,863	-	-	368,863
Total	6,048,462	-	915,237	6,963,699
At 30 June 2021				
Trade payables	12,222,922	53,600	104,250	12,380,772
Provisions	2,726,300	-	5,721,801	8,789,022
Gratuity	340,921	-	-	340,921
Total	15,290,143	53,600	5,826,051	21,169,794

(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 optimizing 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 2020/2021.

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.

(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:

	2021-2022	2020-2021
	Kshs	Kshs
Accumulated Fund	115,874,996	115,874,996
Revaluation reserve	15,904,628	15,904,628
Retained earnings	207,413,360	217,269,291
Capital reserve	112,500,000	112,500,000
Total funds	451,692,984	461,548,915
Total borrowings	-	-
Less: cash and bank balances	(443,405,859)	(429,393,825)
Net debt/(excess cash and cash equivalents)	8,287,125	32,155,090
Gearing	1.8%	7%

22. Related Party Balances

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.

Government of Kenya

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest.

Other related parties include:

- i) The Ministry of Industrialization, Trade and Enterprise Development;
- ii) County governments.
- iii) Other State Corporations.
- iv) Board of directors.
- v) Key management.

Transactions with related parties

a) Purchases from related parties	2021-2022	2020-2021
Purchases of electricity from KPLC	2,341,462	1,915,039
Rent expenses paid to government agencies	17,373,187	19,826,420
Training and conference fees paid to government agencies	824,640	932,050
Parking fees paid to County government and government agencies	980,000	1,120,000
Total	21,519,289	23,793,509
b) Grants from the government		
Grants from national government	340,500,000	360,490,000
Grants from county government	-	-
Total	340,500,000	360,490,000
c) Key management compensation		
Directors' emoluments	4,923,775	6,464,000
Compensation to key management	42,242,065	48,327,565
Total	47,165,840	54,791,565

23. Contingent Liability

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court cases against the Authority	6,361,600	6,361,600
Total	6,361,600	6,361,600

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:

Case Citation	Date of Award	Amount
Petition No.121 of 2018 Stanley Magare Vs. ACA & 3 Others.	4 th June 2020	Kshs. 100,000 plus costs of the suit.
Civil Appeal No. 215 of 2018 (Milimani) ACA vs. Esther Mawia Mwanja & Anor	4 th April 2018	Kshs. 4,761,600
Industrial Cause No. 653 of 2012 (Milimani) Joyce N. Simitu vs ACA	14 th June 2019	Kshs. 600,000
Petition 320 of 2015 (Nairobi) Francis Wanyange & Anor vs ACA	23 rd November 2018	Kshs. 350,000
High Court at Embu Petition No. 5 of 2019 {John Kariuki T/A	17 th November 2020	Kshs. 550,000

Khifam Ltd vs Uzuri Foods}		
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24. Capital Commitments

Capital commitments	2021-2022	2020-2021
	Kshs	Kshs
Authorised for	140,000,000	140,000,000
Authorised and contracted for	-	-
Total	140,000,000	140,000,000

The Authority committed Kshs. 140M for the acquisition of two go downs in Nairobi.

25. Events after the reporting period

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

26. 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.

27. Currency

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

APPENDIX

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>As previously reported and as disclosed at Note 25, 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. 6,361,600 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 persons 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.</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 {1} 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>In the meantime, the seized goods are in safe custody and the Authority has continued to put a strong defense against the suit. This is sufficient mechanism consistent with the law and in the best interest of the Authority.</p>	Director Services/Corporation Secretary	Not Resolved	June 2023

COUNTERFEIT AUTHORITY (ACA)
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	<p>Report on effectiveness of internal controls, risk management and governance</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. • 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>	<p>1) The Authority with donor support from Trademark East Africa has set up an offsite back up facility.</p> <p>2) The IT division developed the IT strategic plan in the financial year 2020/2021 which was approved by the Board.</p> <p>3) The Authority has constituted a team to develop the corporate Business Continuity plan which will include the IT BCP and Disaster Recovery Plan in the current financial year 2022/2023</p>	<p>Director Services</p> <p>Corporate</p>	<p>Partially Resolved</p>	<p>June 2023</p>
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Executive Director/CEO

Date: 01.02.2023

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	Kshs.137,608,700	No	No
National baseline survey	N/A	DFID/TMEA	FY 2018/19 to FY 2021/22	Kshs. 26,341,300	No	No

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

Status of Projects Completion

No	Project	Total project cost (Kshs)	Total expended to date (Kshs)	Completion % to date	Budget (Kshs)	Actual (Kshs)	Sources of funds
1.	Digitization of ACA operations	137,608,700	79,175,384	85	137,608,700	79,175,384	TMEA
2.	National baseline survey	26,341,300	26,341,300	100	26,341,300	26,341,300	
TOTAL		163,950,000	105,516,684		163,950,000	105,516,684	

Appendix III: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount -KES	Where Recognized	Total Transfers during the Year
				Statement of Financial Performance	
Ministry of Industry, Trade & Enterprise Development	15.09.21	Recurrent	85,125,000	85,125,000	85,125,000
	28.10.21		28,375,000	28,375,000	28,375,000
	20.12.21		56,750,000	56,750,000	56,750,000
	07.02.22		85,125,000	85,125,000	85,125,000
	23.05.22		85,125,000	85,125,000	85,125,000
Total			340,500,000	340,500,000	340,500,000