


REPUBLIC OF KENYA

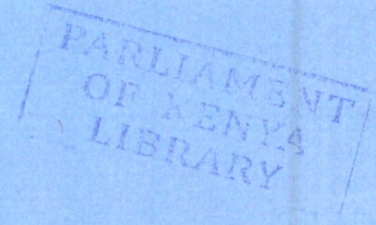


OFFICE OF THE AUDITOR-GENERAL



 THE NATIONAL ASSEMBLY PAPERS LAID	
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REPORT



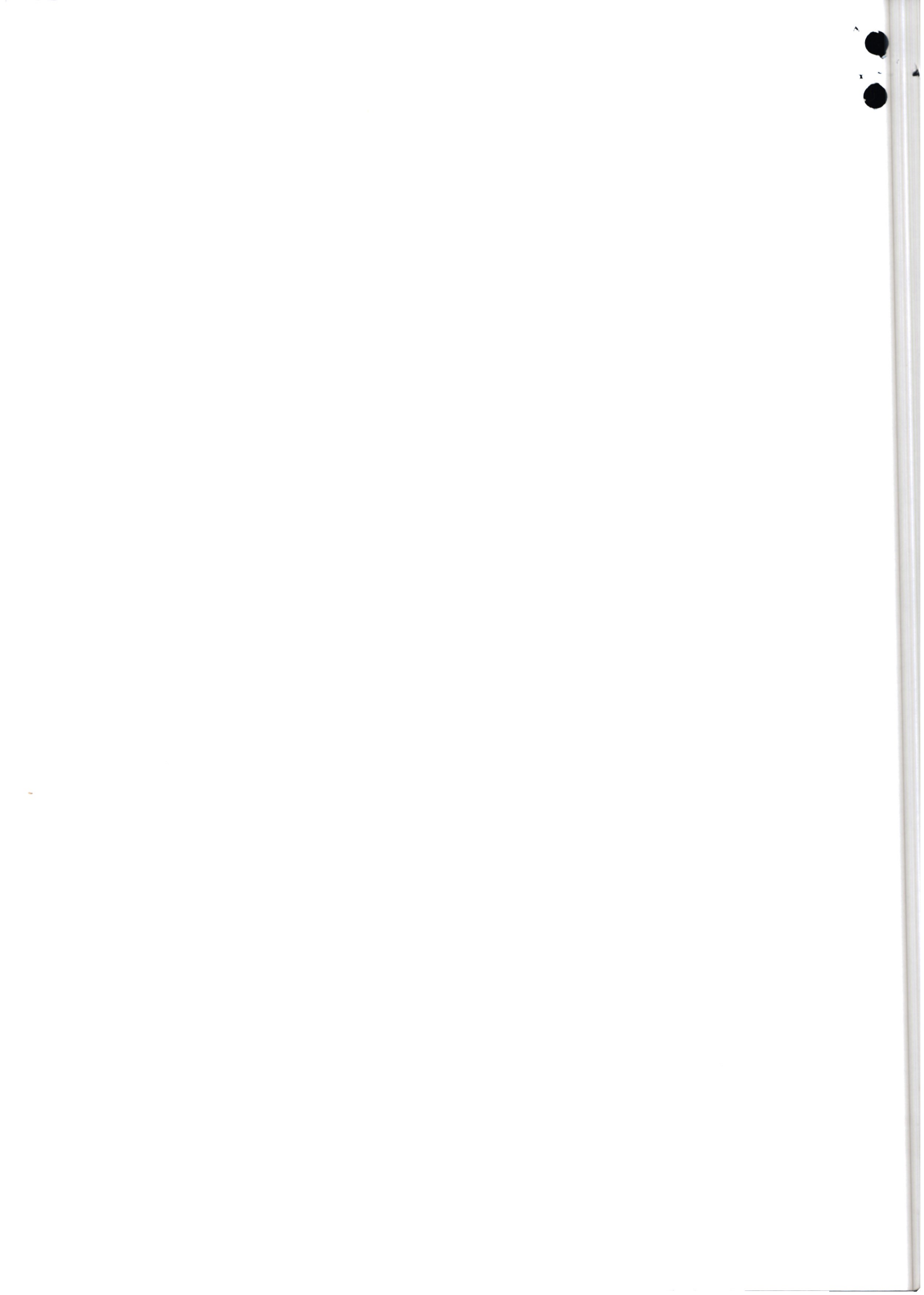
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
UNCLAIMED FINANCIAL ASSETS AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2018**





**UNCLAIMED FINANCIAL ASSETS AUTHORITY
(UFAA)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**



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a Background information

The Unclaimed Financial Assets Authority (UFAA/ the “Authority”) was created under the Unclaimed Financial Assets Act, No. 40 of 2011 (the “Act”) to administer unclaimed financial assets. The Board of Directors was gazetted under Legal Notice No.16272 of 9th November 2012.

b Principal activities

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

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

c Fiduciary management

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

No.	Designation	Name
1.	Chief Executive Officer (CEO)	Kellen Eileen Kariuki, (Left Nov 2018)
2.	Manager Unclaimed Financial Assets Line	John Kihara Mwangi
3.	Manager Information and Communication Technology	Francis Mathenge Muchina
4.	Manager Human Resource & Administration	Caroline Chepkurui Chirchir (Appointed Ag. CEO Nov 2018)
5.	Manager Finance & Accounting	Henry Taabu Nyegenye
6.	Ag Manager Procurement	Beatrice Taigong (Appointed Nov 2017)
7.	Ag Head of Legal services	Christine Mangwana (Left Oct 2017)
8.	Head of Legal services	James Nduna (Joined Nov 2017)
9.	Manager Procurement	Dr Jack Gumboh (Joined Dec 2017)

d Fiduciary oversight arrangements

Board oversight

The Board of Directors has the overall oversight responsibility of the Authority. As detailed in the section on corporate governance, this responsibility is administered through various committees of the Board that have specific roles, including: the finance and human resource committee; audit, risk and governance committee and the technical committee.

Parliamentary committees

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

e Authority headquarters and contacts

2nd Floor, Pacis Centre
 Slip Road, off Waiyaki way, Westlands
 P O Box 28235 - 00200
 Nairobi, Kenya
 +254 020 4343440
 +254 706 866 984 / +254 736 559 152
info@ufaa.go.ke

f Bankers

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

Commercial Bank of Africa
Westlands Branch
P.O Box 30437-00100
Nairobi, Kenya

g Independent auditor

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

Delegated/Authorised Auditor:

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

h Principal legal advisor

The Attorney General
State law office
Harambee avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

Head of legal services
James Nduna
Unclaimed Financial Assets Authority

Profile of Directors



Mr. Joseph Kipchumba Kigen Katwa – Chairman

Katwa is a founding Partner at Kigen & Kemboy Advocates. He is also a Certified Public Secretary and Commissioner for Oaths.

He is a graduate of the University of Nairobi with a Bachelor of Laws LL.B (Hons.) and Masters (LLM) degree. He was admitted to the Bar as an Advocate of the High Court of Kenya in 1996 and has been in continuous practice since then.

Katwa commenced his legal practice with the firm of Nyairo & Company Advocates before moving on to the firm of Kibet & Company Advocates and later Ochieng, Onyango, Kibet & Ohaga Advocates. He has over the years handled various commercial transactions for leading commercial banks, manufacturing and general business companies & Co-operative Societies. He has handled Conveyancing, Commercial Work, Bank Security Documentation, Debt Recovery, Civil Litigation & Appeals, Arbitration, Corporate Governance, Succession, Divorce, Land Law and Criminal Defense.

Katwa was appointed as a Board member in October 2015, and thereafter, in accordance with the Unclaimed Financial Assets Act, elected by the Directors as the Chairman of the Board. His term ended on 1 October 2018.



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

Mr Henry Rotich is the Cabinet Secretary, The National Treasury.

He holds a Masters' degree in Economics and Bachelors' degree in Economics (First Class Honours) both from the University of Nairobi. He also holds a Masters' degree in Public Administration (MPA) from the Kennedy School of Government, Harvard University.

Prior to his appointment as Cabinet Secretary, he had been the Head of Macroeconomics at The National Treasury, then Ministry of Finance, since 2006 where he was involved in the formulation of macroeconomics policies aimed at achieving the Government's development priorities.

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

Mr Rotich is a Non-Executive member of the Board as per the Unclaimed Financial Assets Act as read in line with the Cabinet secretary (incorporation) to the Treasury Act.



Mr. Daniel M. Mutua

Mr. Mutua is a Deputy Director, Investment in the National Treasury.

He holds a Bachelor of Education (Economics/Business)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and is a Registered Certified Investment and Financial Analyst (CIFA). Mr. Mutua has undergone Intensive training in many areas such as Investment appraisal, Enterprise Risk Analysis, Corporate Governance, Performance Management, Project management, Procurement, Public Finance and holds several certificates on Public Private Partnerships from IP3 Institute, in Washington DC-USA.

He has over 25 years Public sector experience in various Ministries including-TSC, Ministry of Labour, Office of the Vice President, Culture & National Heritage and currently in the National Treasury-Directorate of Public Investments and Portfolio management. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd, and University of Eldoret Council.

Mr Mutua was appointed in October 2015 as an Alternate Director to the CS, National Treasury.



Dr Parmain ole Narikae – Non-Executive Director

Dr Parmain ole Narikae is currently the Chief Executive Officer of the Kenya Industrial Estates.

He has a career spanning over 20 years in the Banking Sector having previously served in various capacities in the Co-op Bank Group of Companies and Chase Bank where he served as the Director External and Regulatory Affairs, with roles that included administrative co-ordination of the various functions towards the realization of Bank’s objectives as well as the development of capabilities of personnel in the Bank. In addition, he was the Chairman of the Chase Group Foundation.

He holds a PhD in Strategic Management from United States International University, a Masters’ in Business Administration and is a graduate of the European Institute of Business Administration (INSEAD).

Dr Narikae was appointed in October 2015 as a member of the Board. His term ended on 1 October 2018.



Mr Gabriel K. Njenga – Non-Executive Director

Mr Karanja is a founding Partner at Karanja-Njenga Advocates, a fully-fledged Corporate Commercial Law firm, established in 1993. He holds a Bachelor of Laws (LLB) from Sheffield University, Sheffield United Kingdom. He attained a Diploma in law from the Kenya School of Law in 1991 and has been an Advocate of the High Court of Kenya since 1993. He also holds a Specialized Honours Degree Bachelor of Arts (BA) in Political Science from York University, Toronto Canada. He is also a Certified Public Secretary.

Mr Njenga was appointed in October 2015 as a member of the Board.



Ms. Jacqueline Oyuyo - Non-Executive Director

Jacqueline is the Managing Partner of Umsizi LLP, where she practices as an Advocate, Corporate Secretary, Arbitrator and Mediator to a host of clientele.

She holds an MBA in Global Technology Management from the American Intercontinental University, and is a Fellow of the Chartered Institute of Arbitrators, a Certified and Judiciary-Accredited Mediator and an accredited Governance Auditor.

She is committed to demystifying corporate governance in a way that makes sense for each Authority that she deals with, and is adept at tackling regulatory compliance. She currently serves on the Governing Council of the Institute of Certified Public Secretaries of Kenya (ICPSK), as well as on various Boards ranging from non-profit entities and has served in various State Corporations in the capacity of non-executive Director.

Jacqueline was appointed in September 2016 as a member of the Board.



FCPA Kellen Eileen Kariuki, MBS

Kellen was appointed as CEO of the Unclaimed Financial Assets Authority in February 2015. She has a degree in Accounting and MBA in Strategic Management from United States International University and an MSc in International Human Resource Management from Cranfield University in the UK.

Kellen served the Citibank N.A for 23 years, where she held several positions of senior leadership in the Bank. She has held numerous Board positions such as the Chairperson of Citibank Tanzania Limited, Director AMREF International, Director Resolution Insurance Limited, Director in Citibank Uganda Limited, Chair of the Citibank Kenya Provident Fund, Director of Cititrust (Kenya) Limited, and Director Kenya Roads Board (KRB). She is a founding member of the Board of Advisors of the Strathmore Business School; and has served as an elected council member of ICPAK.



She is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPAK) and was recognized by the Kenya Institute of Management as the "Professional Manager of the Year" during the Company of the Year Awards in 2003. Kellen left the Authority on 1 November 2018.









Mr. Thomas Ludindi Mwadeghu - Non-Executive Director

Non-Executive Director (Appointed 1 November 2018)
Hon. Thomas Ludindi Mwadeghu is the immediate former Member of Parliament for Wundanyi Constituency having served for two consecutive terms. As Member of Parliament, Hon. Mwadeghu served as a Minority Chief Whip, Member of House Business Committee, Member of Public Investment Committee and Lands Committee of the National Assembly.

Previously, Hon. Mwadeghu served at different capacities at the Central Bank of Kenya, Industrial Development Bank Limited, the Housing Finance Company, the Kenya Wildlife Services and

	<p>Ocean Freight East Africa Ltd. He was a managing partner at Keah & Co. Ltd and Shulunge Auditing firms before he ventured into politics and successfully run for a parliamentary seat for Wundanyi Constituency since year 2008.</p> <p>Hon. Mwadeghu is a graduate of Commerce (Accounting) from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) since 1981. Thomas was appointed as a member of the Board on 1 November 2018.</p>
	<p>Mr. Peter Ng'ang'a Kanyua - Non-Executive Director</p> <p>Peter is an accomplished business leader in Kenya and USA markets running into insurance, security exchange, real estate, IT, security and betting. He began his career as an Investment Consultant in the commodities and derivatives market at the New York stock Exchange (NYSE), National Association of Stock Dealers Association (NASDAQ) and the Chicago Board of Exchange (CBOE).</p> <p>With 18 years-experience, Peter has held several senior positions at John Power Ltd, EBET (K) Limited, Energy Tech Africa Limited, SENACA Security Limited among others. Peter received his undergraduate degree from the Baruch College, City University of New York in Finance and Economics. Peter was appointed as a member of the Board on 1 November 2018.</p>
	<p>Caroline C Chirchir - Ag. Chief Executive Officer</p> <p>Mrs. Caroline Chirchir is the Ag. Chief Executive Officer and Managing Trustee of the Unclaimed Financial Assets Authority (UFAA) beginning 1 November 2018. As the Ag. CEO/Managing Trustee, Mrs. Chirchir is responsible for the strategic leadership of the Authority and is a member of the Board of Directors. In addition to her duties as the Ag. CEO & Managing Trustee, Mrs. Chirchir is the Manager, Human Resource and Administration.</p> <p>Mrs. Chirchir is a seasoned Human Resource practitioner with wide experience in the financial and service sectors. Prior to joining UFAA, she served in senior management positions at SMEP Microfinance Bank, Kenya Bankers Savings and Credit Cooperative Society, and Rentokil Initial Kenya. She also previously served as a Secretary of the Board of Trustees of a Staff Retirement Benefits Scheme. She holds a Masters of Arts degree (Counseling Psychology) from Daystar University, a Bachelor of Arts (Business Management) from the University of Sunderland (UK) and a Post-graduate Diploma in Strategic Human Resource Management (Jomo Kenyatta University of Agriculture and Technology). Besides, she has undertaken various other senior management training courses including Retirement Benefits Trustee Certification Programme conducted by Retirement Benefits Authority (RBA).</p> <p>Mrs Chirchir is a member of the Institute of Human Resources Management (IHRM) as well as a member of the Kenya Counselling and Psychological Association (KCPA).</p>



Management team

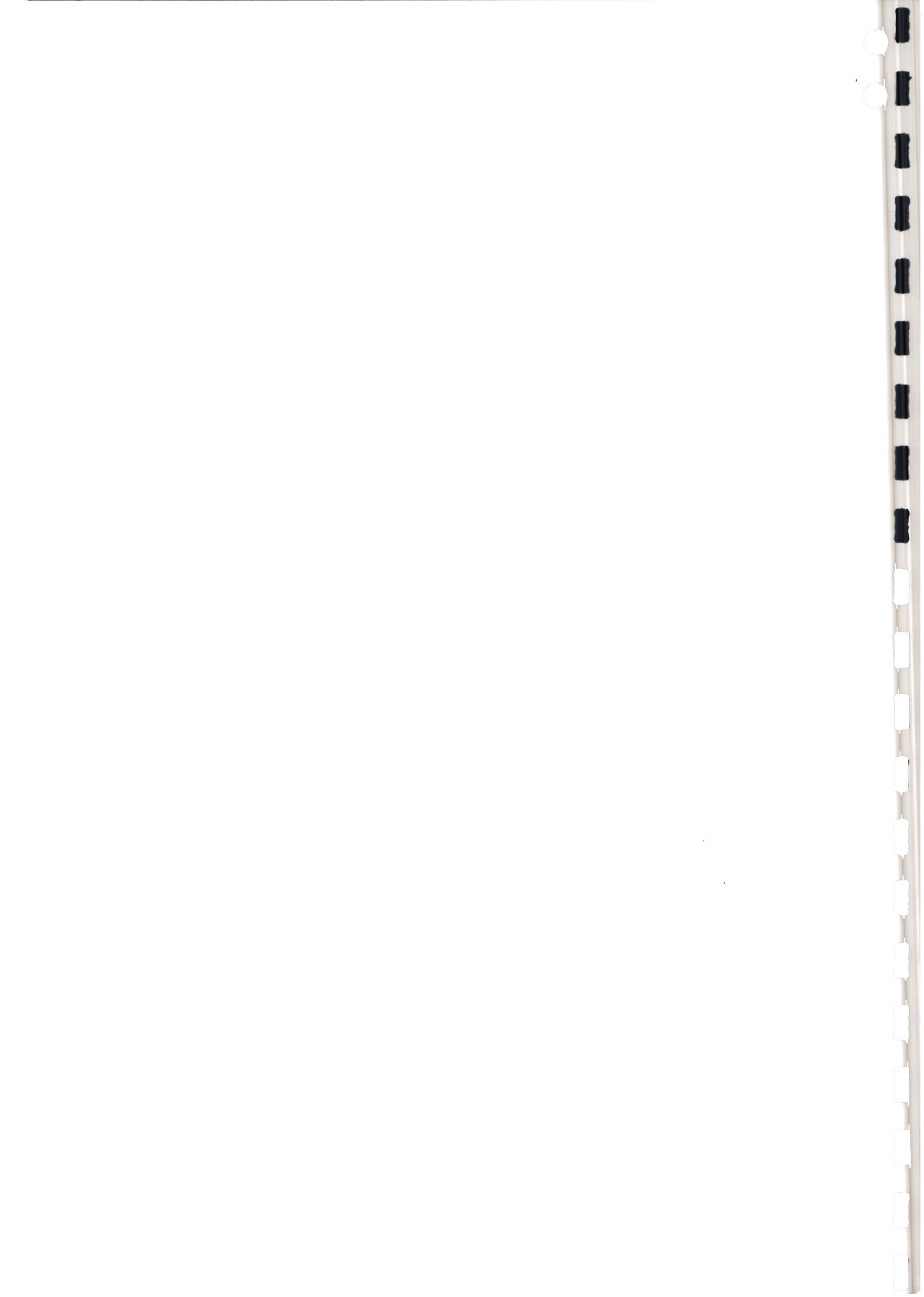
Name	Designation
<p>FCPA Kellen E Kariuki, MBS</p> 	<p>Chief Executive Officer</p> <p>Kellen is the CEO of the Authority and Managing Trustee of the Unclaimed Assets Trust Fund, responsible for leading and directing of the Authority in accordance with the set goals and objectives and safe guarding of all assets as per the unclaimed financial assets Act 2011. She is also responsible of providing strategic and visionary leadership with full operational responsibility in the development, implementation and evaluation of strategies to effectively address emerging issues, risks and opportunities related to the Authority.</p> <p>Kellen left the organisation on 1 November 2018.</p>
<p>Mrs Caroline C Chirchir</p> 	<p>Manager Human Resource & Administration</p> <p>Caroline is responsible for the facilitation, co-ordination and implementation of human resource and administration policies, strategies and systems and provision of a conducive working environment in order for the Authority to effectively deliver its mandate.</p> <p>Caroline has been the Acting Chief Executive Officer since 1 November 2018.</p>
<p>Mr James Nduna</p> 	<p>Corporation Secretary & Manager Legal Services</p> <p>James is responsible for Board affairs and ensuring compliance with the constitution, statutory legal requirements and establish legal risk management procedures to prevent and mitigate against legal risk and fulfilment of contractual obligations as well as advice on all corporate governance requirements.</p>
<p>Mr John K Mwangi</p> 	<p>Manager Unclaimed Financial Assets Line</p> <p>John is responsible for overall management of the Trust Fund including, receiving, holding, investing and managing reunification of the unclaimed financial assets.</p>
<p>Mr Francis M Muchina</p> 	<p>Manager, ICT</p> <p>Francis is responsible for management of the Unclaimed Assets database and planning, developing, coordinating and ensuring delivery of the Authority's ICT needs.</p>
<p>Mr Pius K Kimutai</p> 	<p>Manager Audit, Risk & Assurance</p> <p>Pius is responsible for ensuring the effective operation of the internal audit function. The role is also responsible for ensuring that UFAA has a Risk Management Strategy in place with appropriate systems to identify and mitigate identified risks.</p>

Unclaimed Financial Assets Authority

Key corporate information

For the year ended 30 June 2018

<p>Dr Jack Gumboh</p> 	<p>Manager Procurement</p> <p>Jack is responsible for procurement and supply function and overseeing aspects of purchasing, negotiations and management of the procurement of goods, works and services in line with the law.</p>
<p>CPA Henry T Nyegenyé</p> 	<p>Manager Finance & Accounting</p> <p>Henry is responsible for managing the Authority's financial operations and ensuring that there is efficient utilization of financial resources within established policies of the Authority. He is also responsible for financial accounting and reporting, cash and bank operations and tax management.</p>



Chairman's statement

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

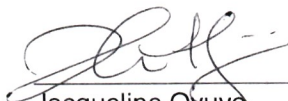
The Authority was set up to enforce and generally administer the provisions of the Unclaimed Financial Assets Act, 2011 (the "Act"). In particular, to receive all payments required by the Act to be made to the Unclaimed Assets Trust Fund (the "Fund"); make payments out of the Fund to the rightful owners in accordance with the provisions of the Act; manage and invest the funds of the Authority; advise the Cabinet Secretary on national policy to be followed with regard to unclaimed assets; implement all Government policies related to it and perform such other functions as are conferred on it by the Act or other written law.

In the year under review, the Board of Directors retired strategic plan 2015-2018 and develop new strategic plan 2018-2023. During this review, the significance of re-unification as a core mandate of the Authority was highlighted leading to its elevation as a strategic objective. In addition, the Board undertook baseline survey of size of unclaimed assets in Kenya and this inform future policy direction of the Authority.

Going forward, the Board will facilitate putting in place necessary legislative measures to enhance the role that Unclaimed Assets play in the economic development of the country. In this regard, the Board in partnership with the National Treasury develop National policy and it is nearing completion.

While a lot needs to be done, it is acknowledged that significant steps have been made. I am sure that we will be able to meet public expectations of prompt service delivery, effective enforcement of the Act and regular consultation due to the rising standards of performance expected of us as a public institution.

I wish to thank my Board members and fellow Directors of the Authority, for the tremendous effort that that have been put in ensuring that the Authority grows and is managed as per requirements of the law. My appreciation also goes to the CEO, management and staff of the Authority for their commitment and effort in ensuring that the Unclaimed Assets Trust Fund grows and safeguarded while ensuring re-unification is promptly carried out. Finally, my appreciation goes to the President of the Republic of Kenya, His Excellency Uhuru Kenyatta, the Government administration, and the public at large, for the tremendous support that we have received.



Jacqueline Oyuyo
Director
Unclaimed Financial Assets Authority

Date 29 November 2018

Report of the Chief executive officer

The financial year 2017/18 saw the retirement of the first strategic plan with excellent success; this was critical in making the Authority fully functional.

During the year under review, the Authority also received approval from the Board and the National Treasury, to utilize Trust Fund Income for its operations, to supplement Exchequer grants. This is a major step in ensuring the Authority manages to execute its mandate with reduced pressure on exchequer revenues.


Other achievements worth mentioning during the financial year under review include:

- Development of new strategic plan 2018-2023
- Business Process Mapping
- Development of the mobile accessibility services
- Review of organization structure
- Baseline survey among others

The Authority will enhance its strategic positioning by developing a new Strategic Plan to help shape the organization's direction from FY 2018/19 to 2022/23. In addition, the organization will enhance its cooperation with other players by continuing to engage other professional and regulatory institutions.

I wish to thank the Cabinet Secretary of the National Treasury and Planning, Mr Henry Rotich, EGH, together with the Principal Secretary, the Chairman and the Board of Directors for the support received.

This appreciation goes to my management team and all staff of the Authority for the significant effort and commitment they have put in place in ensuring the unclaimed assets regime is not only well entrenched, but also service delivery to the public is maintained at high levels.



Caroline C Chirchir
Ag. Managing Trustee & CEO

Date 29 November 2018

The Authority recognizes that high standards of Corporate Governance throughout the Authority are essential for the delivery of the Authority's strategic objectives. To this end, the Board is committed to conducting the Authority's business in accordance with high standards of corporate governance with a view to creating and delivering value to its stakeholders. The Authority has adopted a system of internal controls, a risk management framework and corporate governance policies and practices which are designed to support and promote the responsible management and conduct of the Authority. As a public sector organization dedicated to promoting good governance, the Authority's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, Internal Codes of Conduct and Corporate Governance guidelines, as well as the Board Charter and its committees.

One of the Authority's core values is "Integrity – We will safeguard all unclaimed financial assets entrusted to us with honesty and transparency". Consistent with this, the Authority reiterates its' commitment to good corporate governance as an essential foundation of the Authority's performance and sustainability.

The Board Charter

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

The Board of Directors

As per the Unclaimed Financial Assets Act 2011, the Board consists of six (6) non-executive members and the Chief Executive Officer. As at 30th June 2018, five (5) Board Members and the CEO were in post, with appointment of one (1) member being awaited.

Board Responsibilities

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

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

UFAA BOARD MEETINGS ATTENDANCE FROM 1 JULY 2017 TO 30 JUNE 2018

Board meetings attendance

No.	Name	Meetings attended	Meetings absent
1.	Mr Joseph K. Katwa - Chairman	14 out of 15	1
2.	Mr. Daniel M. Mutua - Alt. CS /NT	14 out of 15	1
3.	Dr. Parmain ole Narikae - Member	15 out of 15	0
4.	Mr. Gabriel K. Njenga - Member	12 out of 21	2
5.	Ms. Jacqueline L. Oyuyo	10 out of 15	5
6	Mrs. Kellen E. Kariuki, MBS - CEO	15 out of 15	0

Board Committees

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

Finance and Human Resource Committee

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

The current members are:

Dr. Parmain ole Narikae	Chairman
Mr. Daniel M. Mutua	Member / Alt.CS /NT
Mr. Gabriel K. Njenga	Member
Ms. Jacqueline L. Oyuyo	Member
Mrs. Kellen E. Kariuki, MBS	CEO

Finance And Human Resource Committee Meetings attendance

No.	Name	Meeting attended	Meetings absent
1.	Dr. Parmain ole Narikae – Chairman	10 out of 10	0
2.	Mr. Daniel M. Mutua - Member / Alt. CS /NT	10 out of 10	0
3.	Mr. Gabriel K. Njenga - Member	9 out of 10	1
4.	Ms. Jacqueline L. Oyuyo - Member	7 out of 10	3
5	Mrs. Kellen E. Kariuki, MBS - CEO	10 out of 10	0

Audit and Risk Committee

This committee reviews the scope and effectiveness of internal controls and risk management systems which guide and monitor financial and non-financial risks. It monitors the Authority's compliance with the code of conduct and ethics. The current members are:

Ms. Jacqueline L. Oyuyo	Chair
Mr. Daniel M. Mutua	Member / Alt.CS /NT
Mr. Gabriel K. Njenga	Member
Dr. Parmain ole Narikae	Member

Audit and Risk Committee Meeting attendance

No.	Name	Meeting attended	Meetings absent
1.	Ms Jacqueline L. Oyuyo - Chair	8 out of 8	0
2.	Mr Daniel M. Mutua - Member / Alt. CS /NT	7 out of 8	1
3.	Mr Gabriel K. Njenga – Member	8 out of 8	0
4.	Dr. Parmain ole Narikae - Member	7 out of 8	1

Technical and Investment Committee

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

The current members are:

Mr. Gabriel K. Njenga	Chairman
Dr. Parmain ole Narikae	Member
Mr. Daniel M. Mutua	Member / Alt. CS /NT
Mrs. Kellen E. Kariuki, MBS	CEO
Ms. Jacqueline L. Oyuyo	Member

Technical and Investment Committee Meeting attendance

No.	Name	Meetings attended	Meetings absent
1.	Mr. Gabriel K. Njenga – Chairman	6 out of 6	0
2.	Dr. Parmain ole Narikae - Member	5 out of 6	1
3.	Mr. Daniel M. Mutua - Member / Alt. CS /NT	6 out of 6	0
4.	Ms. Jacqueline L. Oyuyo - Member	6 out of 6	0
5	Mrs. Kellen E. Kariuki, MBS - CEO	6 out of 6	0

Operational and financial performance

The Authority received Kshs 207.5 Million from Exchequer grants during the ended 30th June 2018. This is in line with the targeted amount showing the tremendous support that the National Treasury gives to the Authority. However, there was a reduction of Kshs 12.5 million for capital expenditure due to Budget supplementary by the National Treasury.

Key projects and investment decisions the Authority is planning/implementing

The Authority implemented major projects in line with its strategic plan during the year under review. The main project being implementation of the Enterprise Resource Planning (ERP) System that is part of the Authority's grand plan to implement an Integrated Financial and Operational System. As at the end of the financial year, the ERP system was being finalized with a target to have administrative, financial, procurement and human resource systems fully integrated so as to enhance information management and efficiency in operations reporting. It is also expected that the Unclaimed Financial Assets System, whose procurement began during this financial year will be implemented in the coming financial year.

The Authority initiated the process of implementing the staff car and house mortgage schemes. The two schemes will be roll out in the next financial year and we expect this to increase staff motivation and retention.

Compliance with statutory requirements

The Authority has continued to discharge its mandate within the law. Compliance and re-unification efforts, including policies developed have been carried out as provided by the Unclaimed Financial Assets Act and Regulations.

In addition, procurement is undertaken in accordance to the Public Procurement and Asset Disposal Act, 2015. Management of the human resource capacity has also been undertaken in line with the approved Human Resource policy, and in adherence to the requirements laid out in employment and labour laws and other statutory requirements and government circulars.

Material arrears in statutory/financial obligations

The Authority does not have any obligations in its books of account which are not funded by the available resources. This is due to the prudent nature that budget management and control has been undertaken. In addition, there are no arrears in statutory and other financial obligations as at the end of the year under review.

Corporate Social Responsibility Statement/Sustainability Reporting

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

- a. The Authority provided internship opportunities to twenty six (26) fresh graduates from local universities so as to enable them gain work place environment exposure.
- b. Participation in widows international day
- c. Council of Governors conference

The Directors submit their report together with the audited financial statements for the year ended 30 June 2018 which show the state of affairs of the Unclaimed Financial Assets Authority (UFAA / the "Authority").

Principal activities

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

The results of the Authority for the year ended 30 June 2018 are set out on page 22.

Directors

The members of the Board of Directors who served during the year are shown on page 5-8.

Auditors

The Auditor General is responsible for the statutory audit of the Unclaimed Financial Assets Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General will carry out the audit of the Unclaimed Financial Assets Authority for the year ended June 30, 2018 in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Mr James Nduna

.....
Head of legal services

Date: 29 November 2018

Section 81 of the Public Finance Management Act, 2012, Section 14 of the State Corporations Act, and Section 46 of the Unclaimed Financial Assets Act, 2011, require the Directors to prepare financial statements in respect of the Unclaimed Financial Assets Authority (the "Authority"), which give a true and fair view of the financial position of the Authority at the end of the financial year and its financial performance for the year then ended. The Directors are responsible for ensuring that the Authority keeps proper accounting records that are sufficient to show and explain the transactions of the Authority; disclose with reasonable accuracy at any time the financial position of the Authority; and that enables them to prepare financial statements of the Authority that comply with prescribed financial reporting standards and in the manner required by Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act. They are also responsible for safeguarding the assets of the Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

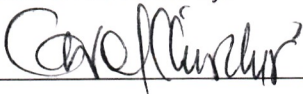
The Directors accept responsibility for the presentation and preparation of financial statements of the Authority in accordance with International Public Sector Accounting Standards and in the manner required by Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances

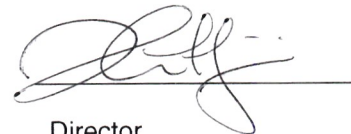
In preparing the financial statements, the Directors have assessed the Authority's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

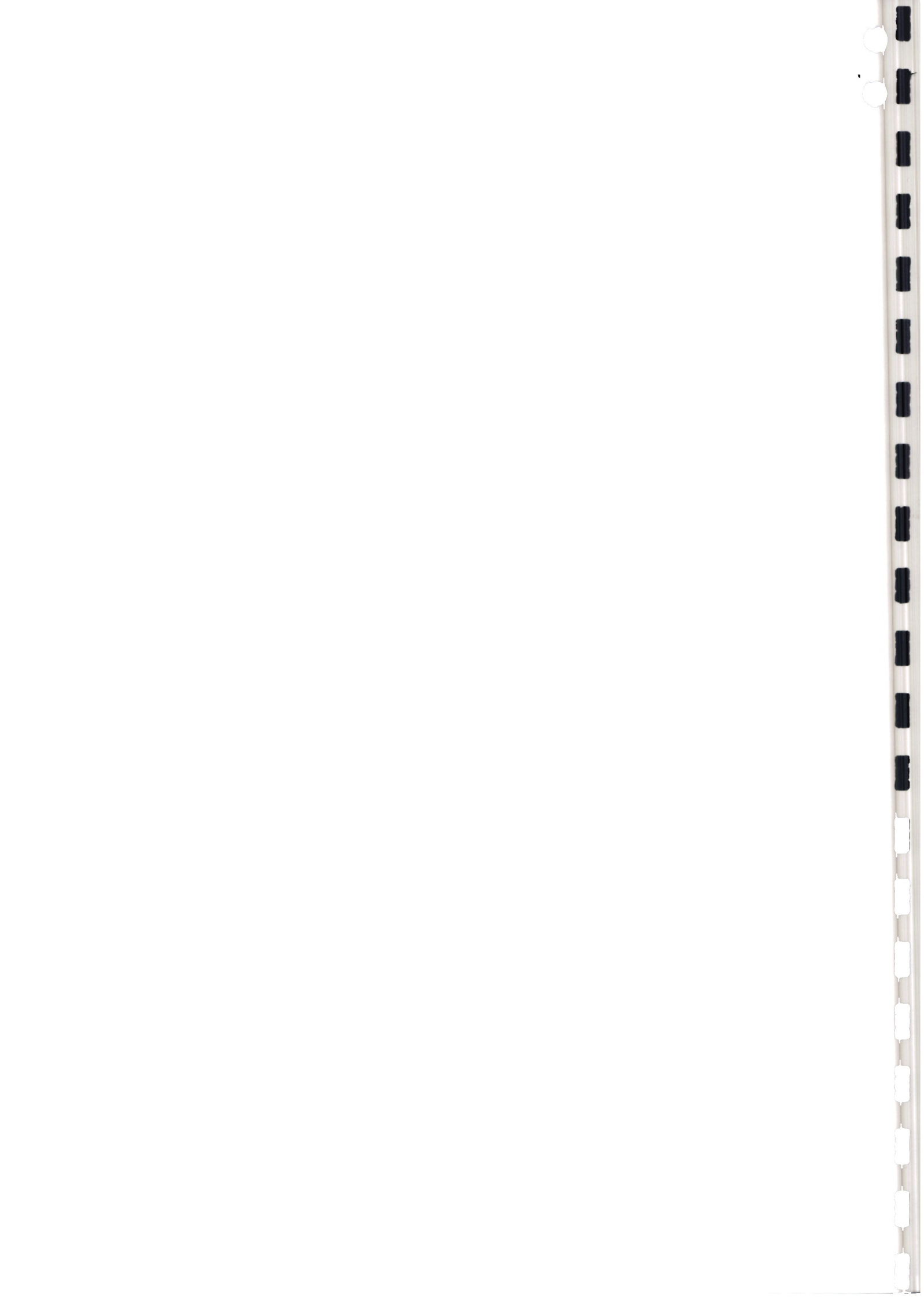
The Authority's financial statements were approved by the Board on 29 November 2018 and signed on its behalf by:



Ag. Chief Executive Officer
Caroline C Chirchir



Director
Jacqueline Oyuyo



REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Unclaimed Financial Assets Authority set out on pages 22 to 43 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PriceWaterHouse Coopers - PWC, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the result of their audit and on the basis of their report, I'm satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit have been obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Unclaimed Financial Assets Authority as at 30 June, 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (accrual basis) and comply with the Unclaimed Financial Assets Act No. 40 of 2011.

Basis for Opinion

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

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Unclaimed Financial Assets Authority for the year ended 30 June 2018

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the 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.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects.

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

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

management either intends to cease operations of the Authority, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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.

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

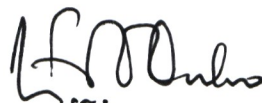
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

6 February 2019

Statement of financial performance

		Year ended 30 June	
	Notes	2018 Shs '000	2017 Shs '000
Revenue from non-exchange transactions			
Government grants - recurrent		170,000	170,000
Government grants – capital funding		37,500	50,000
Transfer from Trust Fund	4	210,000	230,000
Revenue from exchange transactions			
Finance income	5	4,954	3,970
Total revenue		422,454	453,970
Operating expenses			
Staff costs	6	137,316	140,753
Board expenses	7	12,504	7,150
Administrative expenses	8	195,196	122,684
Depreciation	12	26,002	20,990
Total operating expenses		371,018	291,577
Surplus for the year		51,436	162,393

The notes on pages 27 to 43 are an integral part of these financial statements.

Statement of financial position

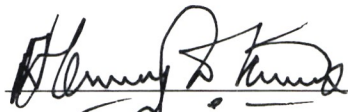
	Notes	As at 30 June	
		2018 Shs '000	2017 Shs '000
ASSETS			
Current assets			
Cash and cash equivalents	9	92,556	127,153
Receivables and prepayments	10	316,797	156,697
Inventories	11	1,148	2,125
		410,501	285,975
Non-current assets			
Motor vehicles and equipment	12	54,867	72,704
		465,368	358,679
Current liabilities			
Payables, accruals and provisions	13	131,136	75,883
Net reserves		334,232	282,796
		465,368	358,679

The notes on pages 27 to 43 are an integral part of these financial statements.

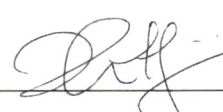
The financial statements on pages 22 to 43 were approved for issue by the Board of Directors and signed on its behalf by:



Ag. Chief Executive Officer
 Caroline C Chirchir



Manager Finance & Accounting
 Henry T. Nyegenye
 ICPAK Member Number: 5413



Director
 Jacqueline Oyuyo

Date 29 November 2018

Date 29 November 2018

Date 29 November 2018

Statement of changes in net reserves

	Year ended 30 June	
	2018 Shs '000	2017 Shs '000
Accumulated surplus		
At start of the year	282,796	120,403
Surplus for the year	51,436	162,393
	<hr/>	<hr/>
At end of the year	334,232	282,796
	<hr/>	<hr/>

The notes on pages 27 to 43 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 30 June 2018 Shs'000	Year ended 30 June 2017 Shs'000
Cash flows from operating activities			
Surplus		51,436	162,393
Adjustment for:			
Depreciation	12	26,002	20,990
Operating surplus before changes in working capital		77,438	183,383
Increase in receivables and prepayments		(160,100)	(146,693)
Decrease/(Increase) in inventories		977	(937)
Increase in payables, accruals and provisions		55,253	48,710
Net cash from operating activities		(26,432)	84,463
Purchase of equipment	12	(8,165)	(30,660)
Net cash used in investing activities		(8,165)	(30,660)
Increase in cash and cash equivalents		(34,597)	53,803
Cash and cash equivalents at start of year		127,153	73,350
Cash and cash equivalents at end of year	9	92,556	127,153

The notes on pages 27 to 43 are an integral part of these financial statements.

Statement of comparison of budget and actual cash amounts

Item	Approved budget 2017-18 Shs '000	Adjustments Shs '000	Final budget FY 2017-18 Shs '000	Actual FY 2017-18 Shs '000	Performance difference FY 2017-18 Shs '000
Revenue					
Government grants	220,000	(12,500)	207,500	207,500	-
Carry forward from 2016/2017	31,872	-	31,872	31,872	-
Finance income	2,575	-	2,575	4,954	2,379
Trust fund income	210,000	-	210,000	-	(210,000)
Total income	464,447	(12,500)	451,947	244,326	(207,621)
Expenses					
Compensation of employees	158,450	-	158,450	149,820	8,630
Goods and services	211,877	(12,500)	199,377	176,384	22,993
Rent paid	19,120	-	19,120	18,812	308
Capital expenditure	75,000	-	75,000	52,563	22,437
Total expenditure	464,447	(12,500)	451,947	397,579	54,368
Deficit for the period	-	-	-	(159,253)	(261,989)

A reconciliation of the budget analysis and the financial statements is presented under note 16.

The notes on pages 27 to 43 are an integral part of these financial statements.



Notes

1 Statement of compliance and basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Authority

Amendment to IPSAS 15, 'Financial Instruments: Disclosure and Presentation' which was superseded by IPSAS 28 and IPSAS 30. The standard establishes principles for presenting financial instruments as liabilities or as net assets/equity and for offsetting financial assets and financial liabilities. IPSAS 29 deals with the measurement of financial instruments and IPSAS 30 deals with the disclosures relating to financial instruments. It also deals with offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Authority's financial statements.

(ii) New standards and interpretations not yet adopted

IPSAS 34 'Separate Financial Statements'. The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements for separate financial statements in IPSAS 6. Its effective date is annual financial statements covering periods beginning on or after January 1, 2017. IPSAS 35, 'consolidated financial statements'. The standard supersedes the requirements in IPSAS 6 regarding consolidated financial statements. IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. The definition of control focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity. This new definition of control may impact previous assessments of control, and therefore whether certain entities should be consolidated. IPSAS 35 also introduces the concept of "investment entities," which may be applicable to some sovereign wealth funds. Generally, an investment entity measures its investments in controlled entities at fair value through surplus or deficit. After thorough consultation, the IPSASB decided, for public sector specific reasons, that an entity which controls an investment entity should retain this method of accounting for an investment entity's investments in its consolidated financial statements, regardless of whether it is itself an investment entity. In contrast with IPSAS 6, IPSAS 35 no longer permits an exemption from consolidation for temporarily controlled entities. Consistent with the IPSASB's policy of reducing unnecessary differences between IPSASs and Government Finance Statistics reporting guidelines, the IPSASB has aligned the principles in IPSAS 35 with the Government Finance Statistics Manual 2014 (pre-publication draft) where feasible. Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

IPSAS 36 'Investments in Associates and Joint Ventures' explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. The requirements are very similar to the current guidance in IPSAS 7. Because equity accounting must now be used when accounting for joint ventures, the title of the standard now also refers to joint ventures. In contrast with IPSAS 7, IPSAS 36 does not permit a different accounting treatment for temporary investments. Its effective date is annual financial statements covering periods beginning on or after January 1, 2017. The above standards have no impact on the financial statements of the Authority.

Notes (continued)

1 Statement of compliance and basis of preparation (continued)

(ii) New standards and interpretations not yet adopted (continued)

IPSAS 37 'Joint Arrangements'. The standard establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. Joint arrangements are classified as either joint operations or joint ventures. In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement. These classifications differ from IPSAS 8, which referred to three types of arrangements (jointly controlled entities, jointly controlled operations, and jointly controlled assets). IPSAS 37 requires that an entity account for its interest in a joint operation by recognizing its share of the assets, liabilities, revenue, and expenses of the joint arrangement. It also requires that joint ventures be accounted for using the equity method. Previously, IPSAS 8 permitted jointly controlled entities to be accounted for using either the equity method or proportionate consolidation. Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

IPSAS 38 'Disclosure of Interests in other Entities'. The standard brings together the disclosures previously included in IPSASs 6–8. It also introduces new disclosure requirements, including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal. Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

IPSAS 39 'Employee benefits'. This will replace IPSAS 25, Employee Benefits, on January 1, 2018, with earlier adoption encouraged.

This limited-scope project was part of the IPSASB's strategy to maintain its existing standards. IPSAS 39 reflects amendments made by the International Accounting Standards Board to its equivalent standard, International Accounting Standard (IAS) 19, Employee Benefits, up to December 2015. The main differences between IPSAS 39 and IPSAS 25 are:

- Removal of an option that allowed an entity to defer the recognition of changes in the net defined benefit liability (the "corridor approach");
- Introduction of the net interest approach for defined benefit plans;
- Amendment of certain disclosure requirements for defined benefit plans and multi-employer plans;
- Simplification of the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service; and
- Removal of the requirements for Composite Social Security Programs.

IPSAS 40 'Public Sector Combinations'. This recognizes two types of public sector combinations: amalgamations and acquisitions. By contrast, International Financial Reporting Standards, used by private sector entities, treat all combinations as acquisitions, which requires obtaining fair value information. Amalgamations, which are much more common in the public sector, do not require this information. The accounting requirements for amalgamations in IPSAS 40 are based on existing information, which enables public sector entities to avoid unnecessary valuation costs, while still meeting users' needs. IPSAS 40 applies from January 1, 2019, with earlier adoption encouraged.

IPSAS 41, Financial Instruments, establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. The effective date of IPSAS 41 is January 1, 2022, with early adoption encouraged.

There are no other IPSASs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Authority.

Notes (continued)

2 Summary of significant accounting policies

(a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with 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.

Transfer from Trust Fund

Transfers from the Trust are recognised once approved by the Cabinet Secretary to defray costs associated with the administration of the Authority and performance of its function.

ii) Revenue from exchange transactions

Interest income

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

(b) Budget information

The annual budget is prepared on cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the cash basis for budgeting purposes, a reconciliation is required between the statement of comparison of budget and the budget and the financial of financial performance. This has been presented under note 16.

(c) Taxes

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

As at year-end, the Authority has been in communication with National Treasury for the application of tax exemption status.

(d) Motor vehicles and equipment

All motor vehicles and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of motor vehicles and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the motor vehicles and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Motor vehicles and equipment (continued)

Depreciation on motor vehicles and equipment is recognized in the statement of financial performance on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:

Motor vehicles, including motor cycles	4 Years
Computers and related equipment	3 Years
Office equipment and furniture	8 Years
Fittings and fixtures	Lease term (6 years)

(e) Leases

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.

(f) Inventories

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

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

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

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

(g) Financial instruments

(i) *Financial assets*

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

Loans and receivables (continued)

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

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

(ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Provisions

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

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

Contingent liabilities

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

Contingent assets

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

(i) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority has a *Revenue Reserve* which consists of income earned from investment of cash balances in call deposits in the current year.

(j) Changes in accounting policies and estimates

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

(k) Employee benefits

Retirement benefit plans

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

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

(m) Significant judgments 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 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.

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

Provisions are raised and management determine an estimate based on the information available. There were no provisions made in the current reporting period.

Notes (continued)

2. Summary of significant accounting policies (continued)

(n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June, 2018.

3. Financial risk management objectives and policies

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

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

(a) Risks facing the Authority

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

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

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

i. Credit risk

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

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

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

Notes (continued)

3. Financial risk management objectives and policies (continued)

(a) Risks facing the Authority (continued)

i. Credit risk (continued)

	2018 Shs'000	2017 Shs'000
Cash and cash equivalents (Note 9)		
Short term deposit	71,740	110,000
Cash in bank	15,048	15,550
Receivables (Note 10)		
Rent deposit	4,697	4,697
Accrued interest income	-	
Trust fund receivable	312,000	152,000
Bank guarantee	100	-
	403,585	282,247

There were no past due or impaired balances at 30 June 2018 (2017: nil).

ii. Market risk

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

Interest rate risk

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

As at 30 June 2018, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs. 71,740 (2017: Shs. 110,000).

iii. Liquidity risk

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

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

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

Notes (continued)

3. Financial risk management objectives and policies (continued)

(a) Risks facing the Authority (continued)

iii. Liquidity risk (continued)

	On demand Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Total Shs'000
At 30 June 2018					
Payables, accruals and provisions	131,136	-	-	-	131,136
At 30 June 2017					
Payables, accruals and provisions	75,883	-	-	-	75,883

(b) Fair value of financial instruments

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

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

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

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

Notes (continued)

	2018 Shs '000	2017 Shs '000
4 Transfer from the Trust Fund		
Amounts transferred	-	78,000
Transfer receivable	210,000	152,000
	<u>210,000</u>	<u>230,000</u>

The National Treasury approved utilization of Kshs 210 Million from the Trust Fund Income to support the operations of the Authority in the financial year 2017/2018. The transfer to the Authority was yet to be done because the projects earmarked to utilize the funds were undergoing approval process, namely Unclaimed Financial Assets system, staff car and house mortgage.

	2018 Shs '000	2017 Shs '000
5 Finance income		
Interest income on call deposit	4,954	3,970
	<u>4,954</u>	<u>3,970</u>

The Authority invests funds that are not required for immediate use in call deposit at Kenya Commercial Bank.

	2018 Shs '000	2017 Shs '000
6 Staff costs		
Salaries and wages	91,255	85,256
Contributions to pensions	7,113	5,282
Housing benefits and other allowances	27,727	29,731
Staff gratuity	11,221	20,484
	<u>137,316</u>	<u>140,753</u>
7 Board expenses		
Chairman`s honoraria	1,020	1,020
Directors allowances	6,123	5,904
Other allowances and expenses	5,361	226
	<u>12,504</u>	<u>7,150</u>

Notes (continued)

	2018 Shs '000	2017 Shs '000
8 Administrative expenses		
Rent	18,812	18,812
Consultancy expenses	18,597	23,379
Advertising	8,627	5,567
Conferences and stakeholders engagement	8,991	10,315
Workshops and training expenses	6,609	3,543
Tuition fees	73	1,471
Other capacity building costs	11,591	14,180
Domestic and foreign travel expenses	19,664	13,071
Audit fee	5,903	2,529
Catering services	3,365	2,671
General office supplies (stationery)	3,444	1,297
Supply of computer maintenance and accessories	6,753	1,952
Sanitary & cleaning materials	224	23
Telephone expenses	2,799	2,035
Internet connectivity	996	1,328
Motor vehicle insurance	612	1,090
Staff medical insurance	8,663	8,400
Electricity	941	1,568
Publishing and printing	1,631	4,750
General expenses	296	470
Contracted cleaning and security services	576	444
Newspapers subscriptions	798	665
Fuel and lubricants	279	334
Repairs and maintenance	1,223	457
Employee welfare	614	1,150
Membership to professional bodies	333	546
Bank charges	193	147
Postal services	700	340
Water and sewerage	130	150
Trust Fund management – 8(i)	61,133	-
Legal fees	626	-
	195,196	122,684
8(i) Trust fund management		
Trust fund consultancy services	42,602	-
National policy development	4,278	-
Trust fund advertisement and workshops	14,253	-
	61,133	-

Notes (continued)

	2018 Shs'000	2017 Shs'000
9 Cash and cash equivalents		
Short term deposit	71,740	110,000
Cash in bank	15,048	15,550
Standing/temporary imprest	5,737	1,600
Cash on hand	31	3
	<hr/> 92,556 <hr/>	<hr/> 127,153 <hr/>
10 Receivables and prepayments		
Trust fund receivable	312,000	152,000
Prepaid rent	4,697	4,697
Bank guarantee	100	-
UAP Insurance	-	-
	<hr/> 316,797 <hr/>	<hr/> 156,697 <hr/>
11 Inventories		
Office stationery	668	1,145
ICT consumables	480	980
	<hr/> 1,148 <hr/>	<hr/> 2,125 <hr/>

Notes (continued)

12 Motor vehicles and equipment

Year ended 30 June 2017	Motor vehicles Shs'000	Computers and printers Shs'000	Fixtures and fittings Shs'000	Furniture Shs'000	Total Shs'000
Cost					
At start of year	16,300	13,232	60,753	11,756	102,041
Additions	-	2,325	25,400	2,935	30,660
At end of year	16,300	15,557	86,153	14,691	132,701
Accumulated depreciation					
At start of year	8,298	8,150	20,272	2,287	39,007
Charge for the year	4,075	4,330	10,831	1,754	20,990
At end of year	12,373	12,480	31,103	4,041	59,997
Net Book Value at end of year	3,927	3,077	50,050	10,650	72,704

Notes (continued)

12 Motor vehicles and equipment (continued)

Year ended 30 June 2018	Motor vehicles Shs'000	Computers and printers Shs'000	Fixtures and fittings Shs'000	Furniture Shs'000	Total Shs'000
Cost					
At start of year	16,300	15,557	86,153	14,691	132,701
Additions	-	5,911	-	2,254	8,165
At end of year	16,300	21,468	86,153	16,945	140,866
Accumulated depreciation					
At start of year	12,373	12,480	31,103	4,041	59,997
Charge for the year	3,927	5,655	14,358	2,062	26,002
At end of year	16,300	18,135	45,461	6,103	85,999
Net Book Value at end of year	-	3,333	40,692	10,842	54,867

Notes (continued)

	2018 Shs '000	2017 Shs '000
13 Payables, accruals and provisions		
Other payables	103,678	55,399
Staff gratuity	27,458	20,484
	<hr/>	<hr/>
	131,136	75,883
	<hr/>	<hr/>

14 Related party transactions

In the course of its operations, the Authority enters into transactions with related parties, which include the Government of Kenya through the National Treasury (the parent ministry of the Authority). The grant provided by the Government of Kenya to fund the operations of the Authority is disclosed in the Statement of financial performance.

Key management personnel

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

	2018 Shs '000	2017 Shs '000
Salaries and allowances	35,268	32,385
Gratuity	10,933	9,642
National Social Security Fund	21	19
	<hr/>	<hr/>
	46,222	42,046
	<hr/>	<hr/>

Board expenses are disclosed in Note 7.

Unclaimed Assets Trust Fund (UATF)

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

15 Commitments

Operating lease commitments

The Authority leases its premise under an operating lease. The lease term is for 6 years. The future lease payments due to the rental premise is as follows:

	2018 Shs'000	2017 Shs'000
Falling due within one year	20,884	13,734
Falling due between one and five years	12,598	23,340
	<hr/>	<hr/>
	33,482	37,074
	<hr/>	<hr/>

Notes (continued)

	Year ended 30 June 2018 Shs'000
Income as per budget and actual statement	244,326
Less: Carry forward from 2016/17	(31,872)
Add: Trust fund income receivable	210,000
	<hr/>
Income as per statement of financial performance	422,454
	<hr/>
Expenditure as per budget statement	397,579
Less: Capital expenditure	(52,563)
Add: Depreciation charge	26,002
	<hr/>
Expenditure as per statement of financial performance	371,018
	<hr/>

17 Taxation

The directors are in communication with the National Treasury seeking exemption of the Authority from paying corporation tax. Consequently, no provision for taxes has been made in these financial statements.

18 Employees

The number of employees at the end of the year was 34 (2017:33)

19 Incorporation

The Authority is created under the Unclaimed Financial Assets Act No. 40 of 2011 (the 'Act').

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