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*J. M. Mwangi*

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
ANTI-COUNTERFEIT AGENCY**

**FOR THE YEAR ENDED  
30 JUNE 2017**



**anti  
counterfeit  
agency**

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**ANTI-COUNTERFEIT AGENCY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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

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## I. KEY AGENCY INFORMATION AND MANAGEMENT

### (a) Background information

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

The Agency falls within the Ministry of Industry, Trade and Cooperatives that is mandated to provide a policy framework and an enabling environment for industrialization, trade and cooperative development in Kenya. The Ministry is expected to play a key role in the realization of Kenya Vision 2030 whose goal is to make Kenya a newly-industrializing, middle-income economy by the year 2030. To achieve this goal, the economy is expected to grow at 10% per annum for the next two decades. Six economic sectors have been identified to generate this growth. These are tourism, agriculture, manufacturing, wholesale and retail trade, business process outsourcing and financial services.

### (b) Principal Activities

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

### (c) Key Management

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

No.	Designation	Name
1.	Executive Director	Mr. Elema Halake
2.	Deputy Director Enforcement & Legal Services	Mr. Johnson Adera
3.	Deputy Director Research, Awareness, Policy and Quality Assurance.	Dr. John Akoten
4.	Deputy Director Corporate Services	Ms. Fridah Kaberia

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Executive Director	Dr. John Akoten
2.	Deputy Director Enforcement & Legal Services	Mr. Johnson Adera
3.	Ag. Deputy Director Research & Awareness	Mrs. Agnes Karingu
4.	Deputy Director Corporate Services	Ms. Fridah Kaberia

**(e) Fiduciary Oversight Arrangements**

The Agency’s board is established under section 6 of the Anti-Counterfeit Act 2008 and comprises of nine (9) members. The chairperson is appointed by the cabinet secretary Ministry of Industry, Trade and Cooperatives from amongst the two independent members experienced in matters relating to Intellectual property rights; consumer protection, or trade; the Principal Secretary in the ministry for the time being responsible for matters relating to Industrialisation or his or her representative; the Principal Secretary in the ministry for the time being responsible for matters relating to finance or his or her representative; the Executive Director appointed by the Board; the Commissioner-General of the Kenya Revenue Authority, who may be represented by the Commissioner of Customs; the Attorney General or his representative, the Managing Director of the Kenya Bureau of Standards; the Chief Executive of the Kenya Association of Manufacturers or a representative and two members appointed by the Cabinet Secretary, not being public officers who have experience in matters relating to Intellectual property rights; consumer protection, or trade.

The Board is expected to meet quarterly and has a formal schedule of matters reserved to it. Board papers are generally circulated well in advance of the Board meetings by the Executive Director. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas. The key function of the Board is to guide and control the performance and management of the affairs of the Agency.

This includes the duty to ensure that the functions of the Agency are carried out in an efficient, transparent and ethical manner and that no particular person or body is given undue preference or subjected to any undue disadvantage. The Board considers and approves general performance targets, both strategic and business, and the annual budgets of the Agency.

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

These are:

Name of the Committee	Members
Audit & Risk Committee	Stephen Mutoro Charles Mahinda Emmanuel Bitta Martin Gumo
Technical Committee	Charles Ongwae Phyllis Wakiaga Martin Gumo Col. (Rtd.) James Kariuki
Finance, Human Resource & General Purpose Committee	Phyllis Wakiaga Emmanuel Bitta Charles Mahinda Stephen Mutoro

**(f) Headquarters**

P.O. Box 47771 - 00100  
National Water Conservation & Pipeline Corporation Building, 3<sup>rd</sup> Floor  
National Water & Corporation Pipeline C,  
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

National Industrial Credit Bank  
City Centre Branch, Prudential Building  
P.O. Box 44599 – 00100  
Nairobi – Kenya

**(i) Independent Auditors**

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



**(j) Principal Legal Adviser**




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

**II. THE BOARD OF DIRECTORS**

Board of Directors of the Agency are:

- 1) Mr. Pradeep Paurana – Chairman, Board of Directors
- 2) Mr. Elema Halake - Executive Director, Anti-Counterfeit Agency
- 3) Dr. John Akoten – Ag. Executive Director, Anti-Counterfeit Agency (January 2014 to June 2017)
- 4) Mr. Charles Ongwae - Managing Director, Kenya Bureau of Standards
- 5) Ms. Phyllis Wakiaga - Kenya Association of Manufacturers.
- 6) Mr. Martin Gumo – National Treasury
- 7) Colonel James Kariuki- Kenya Revenue Authority
- 8) Mr. Emmanuel Bitta – Office of Attorney General
- 9) Mr. Charles Mahinda – Ministry of Industry, Trade & Co-operatives
- 10) Mr Michael N. Onyancha - Weights and Measures Kenya
- 11) Mr Stephen Mutoro- Consumers Federation of Kenya (COFEK)

 <p>Mr Pradeep Paurana Chairman, Board of Directors (October 2016 – 11<sup>th</sup> July 2018)</p>	<p>Date of Birth: 12/07/1959</p> <p>Mr. Paurana has a long stunning career in the Manufacturing Industry with over 30 years working with Athi River Mining (ARM). He holds an MBA from the NYU Stern School of Business. Pradeep plays an active role in several policy and advocacy institutions, and has chaired and participated in government task forces in the energy, environment and agriculture sectors. In the past, He has been Chairman of the Kenya Association of Manufacturers, Director of The Kenya Private Sector Alliance, Executive Committee member of East African Business Council, Chairman Nairobi National Park Greenline Trust, and a trustee of Tree Biotechnology Program.</p>
 <p>Mr. Elema Halake Executive Director ( From July 2017)</p>	<p>Date of Birth: 1972</p> <p>Mr. Halake has a long stunning career in wildlife conservation and law enforcement spanning over 20 years working in various capacities in different parts of the country. He has vast experience in law enforcement activities and coordination at national, regional and international levels. Prior to joining ACA, Mr. Halake held the position of Director at the Independent Policing Oversight Authority Kenya (IPOA). He holds a Bachelor of Arts and a Master's degree in Development studies from the</p>

	<p>Catholic University of Eastern Africa. He has a graduate certificate in Criminal justice, USA.</p>
 <p>Dr. John Akoten Ag. Executive Director (January 2013 – June 2017) Deputy Director Research, Awareness, Policy and Quality Assurance.</p>	<p>Date of Birth: 31/12/1967</p> <p>Has a PhD in International Development Studies (IDS) from the National Graduate Institute for Policy Studies (GRIPS) in Tokyo, Japan; a master’s degree in IDS from the same university; and a bachelor’s degree from the Jomo Kenyatta University of Agriculture and Technology, Kenya. He is currently the Acting Executive Director at the Anti-Counterfeit Agency. Previously, he worked at the Institute of Policy Analysis and Research as a Research Fellow rising to Acting Executive Director, where he acquired almost five years of experience in administration.</p>
 <p>Mr. Charles Ongwae MD, Kenya Bureau of Standards (KEBS)</p>	<p>Date of Birth: 01/01/1960</p> <p>He is a holder of Bachelor of Commerce (Accounting option) degree and a Masters of Business Administration in Strategic Management from the University of Nairobi. He is a qualified Accountant with CPA (K). He is currently the Managing Director Kenya Bureau of Standards (KEBS). Previously, he worked as the Managing Director Barclays Bank of Uganda.</p>
 <p>Ms. Phyllis Wakiaga CEO, Kenya Association of Manufacturers</p>	<p>Date of Birth: 1/12/1981</p> <p>She is a holder of Masters in Business Administration, Higher Diploma in Human Resource, Diploma in Law and Bachelor of Law Degree from the University of Nairobi. She is currently the CEO of Kenya Association of Manufacturers (KAM). Previously, she held the position of Head of Policy Research and Advocacy in the same institution.</p>



Mr. Martin Gumo  
National Treasury

Date of Birth: 01/11/1954

He is a holder of Bachelor of Commerce (Accounting option) degree and Masters of Science in Finance from the University of Nairobi. He is a qualified Accountant with CPA (K). He is currently the Deputy Director, Macro and Fiscal Affairs in the National Treasury. Previously, he worked as a Senior Assistant Commissioner of Value Added Tax (VAT) with the Kenya Revenue Authority.



Colonel James Wahome Kariuki  
Kenya Revenue Authority

Date of Birth: 16/04/1962

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



Mr. Charles Mahinda  
Ministry of Industry, Trade & Co-operatives  
Up to 8<sup>th</sup> May 2017

Date of Birth: 05/07/1961



He is a holder of Bachelor of Science (Statistics/Economics) degree from Panjab University, India and post graduate programme in International Executive Management (PGPIM) in International Management Institute, New Delhi, India. He is currently the Ag. Director, Industrial Sector Support and Project Manager/Team Leader in Special; Economic Zones Development Project. Previously he worked as the Ag. Director of Medium & Large Industries in the Ministry of Industrialization.



Mr. Emmanuel Bitta  
Office of Attorney General

Date of Birth: 29/07/1977

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

 <p>Mr Stephen Simiyu Mutoro Consumers Federation of Kenya (COFEK) Up to 8<sup>th</sup> May 2017</p>	<p>Date of Birth: 1975</p> <p>He is a holder of Bachelor of Art (Literature) and Master of Art (Criminology) both from University of Nairobi. 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.</p>
 <p>Mr Michael N. Onyancha Weights and Measures Kenya</p>	<p>Date of Birth: 01/01/1960</p> <p>He is a holder of Bachelor of Education (Mathematics), Masters and PhD all from the University of Nairobi. He has worked in government for over 12 years and is currently the Director Weights and Measures, Kenya. He has also served as a Deputy Director in charge of Enforcement and Training and in a previous capacity as an Assistant Director in charge of Budget and Prosecutions.</p>

**III. MANAGEMENT TEAM**



Mr. Elema Halake; MA(Development Studies),  
BA

Mr. Halake is the Executive Director



Dr. John Akoten; PhD, MSc, BSc

Dr John Akoten is the Deputy Director  
Research, Awareness, Policy and Quality  
Assurance.



Mr. Johnson Adera; LLM, LLB, CS-K

Mr Adera is the Deputy Director  
Enforcement & Legal Services.



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

Ms. Kaberia is the Deputy Director Corporate Services



Mrs. Agnes Karingu; MBA, BSc

Mrs. Karingu is the Manager Education and Public Awareness.



Mr. Michael Aremon; B.Com, CISA

Mr Aremon is the Manager Planning and Quality Assurance.



Mr. Elijah Ruttoh; M Econ, B.Ed

Mr Ruttoh is the Manager Research, Strategy and Policy



Ms. Rephah Kitavi; Msc Finance, BA (Econ), CPA (K), CISA

Ms. Kitavi is the Chief Internal Auditor.

#### IV. CHAIRMAN'S STATEMENT

The Anti-Counterfeit Agency presents Financial Year 2016-2017 annual report and accounts which documents the accomplishments and challenges towards execution of our strategies in the same period. Counterfeiting still remains a big challenge in our country and in pursuit of the fulfilment of our mandate as established by law and policy to prohibit trade in counterfeit goods and sensitise the public on matters relating to counterfeiting, I am pleased to report that we are working hard to build a robust Intellectual Property crime-fighting institution in the country. We are using a multi-faceted approach ranging from enhancing our collaboration, enforcement operations and consumer focused strategies in the fight against counterfeits.

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

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

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

From our enforcement operational actions, the Agency has been involved in busting counterfeit trade across the country targeting externally produced goods as well as domestically counterfeits goods. We are happy of the amendments of the Anti-Counterfeit Act 2014 that gave the Executive Director more discretionary powers in arbitration of Intellectual property matters. More cases are now settled out of court saving time and money.

On capacity building and public awareness, we have come out with training of trainers' framework to enhance capacity building to officers from government agencies as well as the county governments on Intellectual property issues. During the reporting year, 17 counties have been reached and trained their officers on combating counterfeits. We expect a trickle-down effect as these trained officers will train other officers under their jurisdiction. Our consumer focused actions have been greatly affected by financial constraints. However we have had partnership in sponsorship of themed events, road shows and media coverage to empower consumers to make more informed decisions against buying counterfeits.

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

Financial challenges have impacted negatively on the Agency's endeavour to expand its programs and to recruit the needed human resources. Some of the challenges have been compounded by the government's endeavour to restrict recruitment in order to tame the ever ballooning public wage bill. To-date, the Agency has only achieved to employ 75 employees out a required 250. This represents 30% of its human resource needs due to budgetary constraints. It is for this reason that the Agency is not present in most of the key entry points for counterfeit goods. However, I wish to thank the Ministry for the resources that it received during the year. Though the funding does not meet our requirement, our prudent utilization of the same has seen leap in the war against counterfeits in the country. The Agency received an allocation of Kshs 225,402,000, way below our optimal requirement.

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

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

**Mr. Pradeep Paunrana**

f Chairperson of the Board

Date.. 31/12/19 .....

MICHAEL N. ENYASOLA  


## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

### Introduction

The Agency falls under the State Department for Trade in the Ministry of Industry, Trade and Cooperatives as per Executive order No. 1/2016. We have been working to support the Ministry's Key Result Area of Global Competitiveness through combating counterfeiting as our main mandate.

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

### Corporate strategy

In line with the Anti-Counterfeit Act, the Agency's vision is to have a counterfeit-free Kenya. The Agency aims to achieve this by suppressing the supply side of counterfeiting through active enforcement and through collaborations with relevant stakeholders.

Secondly, the Agency also aims to suppress the demand side of counterfeiting by creating awareness on matters of counterfeiting. The Agency is also focused on bringing services closer to the public by ensuring high level of service delivery in all its regional offices across the country.

### Enforcement activities

The following were the achievements regarding enforcement activities for the Financial Year 2016/2017;

Description	Achievement
File Intellectual Property Rights complaints (No. of cases)	252
Investigate Intellectual Property Rights infringement (No. of cases)	234
Consumer Complaints	396
Prosecute suspected counterfeiters (No. of cases)	154
Value of goods seized (Kshs, million)	610.1
Value of goods destroyed (Kshs, million)	320.36

### **Public awareness activities**

During the year under review, the Agency was able to undertake the following public awareness and outreach activities:

- The Agency participated in various public fora & outreach activities within the country as listed below:
  - In Nairobi County the agency participated in the World Intellectual Property Day (WIPD) commemorations from 24th to 26th April. These involved exhibitions at KICC from 24th to 26th April, 2017 and an open lecture at Museum on 26th April, 2017.
  - Mombasa ASK Show 31st August to 4th September, 2016.
  - Strathmore Enterprise development Centre exhibitions 23rd August, 2016.
  - Strathmore 4th Annual SME Conference / exhibitions of 8-9th September, 2016.
  - LSK / Legal Awareness week 28th-30th September, 2016.
  - Nairobi International Trade Fair 2nd to 9th October, 2016.
  - KRA / Taxpayers week 17th-19th October, 2016.
  - USIU / African Summit 4th – 5th November, 2016.
  - Kenya Manufacturing Summit & Expo 16th-18th November, 2016.
  - Kenya Alliance of Residents Associations (KARA) expo & Conference 25th – 27th November, 2016.
  - HLM Summit.
  - Public Baraza in Kakuma&Lokichar 16th December, 2016.
- The Agency organized and conducted awareness forums for enforcement agencies and IPR owners as below:
  - Sensitization for the Hindu Business Community in Nakuru on 13th May, 2017. This was a half a day seminar conducted by the Agency following a request by the Hindu community. The following were recommendations from the forum.
  - Post-Harvest and Grain Fumigation Training on 22<sup>nd</sup> to 26<sup>th</sup> May, 2017 organized by the Agro-Chemical Association of Kenya. The training was aimed at discouraging the IPR owners and industry players from engaging in counterfeiting.
- The Agency also implemented a platform for publicity through the media coverage across the media houses, a bi-annual newsletter through the website and an awareness manual was developed.

### **Research activities**

During the year under review, we have been able to undertake the following research activities:

- The Agency assessed its preparedness to manage risks. The survey revealed that the agency relies entirely on funding from the government which could lead to delays in implementations of various programs. Furthermore the funds from the government are not enough to allow for total implementation of the Agency's operations.
- The Agency carried out a market intelligence survey in Coast and Nairobi region on anti-counterfeiting measures and strategies among the Police, Judiciary and office of the Director of Public Prosecution (ODPP) in Kenya. The study revealed that the awareness levels on the

Anti-counterfeit Act; 2008 in Coast region is 26% as compared to 34% in Nairobi Region. While the awareness levels on The Anti-Counterfeit regulations 2010 is 29% as compared to 37% in Nairobi Region. This shows that the law enforcers in the Coast Region need to be sensitized more on counterfeit matters. The law enforcers also stated that the strategies put by the Government in fighting counterfeiting in Kenya is 44% effective.

- The Agency carried out a market intelligence survey in Kisumu, Eldoret and their environs on anti-counterfeiting measures and strategies among the Police, Judiciary and office of the Director of Public Prosecution (ODPP) in Kenya. The findings revealed that 79% of the people interviewed had heard about ACA while 21% were not aware of ACA's existence. 81% of the respondents had never attended a sensitization programme on counterfeiting matters whereas 19% had attended and 56% of the enforcement agencies had dealt with matters counterfeiting while 44% had never handled counterfeiting matters.


### **Expenditure trends**

The Agency was operationalized in June 2010 with a recurrent budget of Kshs 202 million. During the financial year 2011/2012 the Agency was allocated a recurrent budget of Kshs 200,016,840. During the financial year 2012/2013, the Agency was allocated a recurrent budget of Kshs. 172,951,200 and a capital development budget of Kshs.36, 000,000. During the Financial Year 2013/2014 the Agency was allocated Kshs. 172,051,200 recurrent grants and Kshs. 59,875,000 development budget. During the Financial Year 2014/2015, the Agency was allocated a recurrent budget of Kshs. 158,600,000 and Capital Development budget of Kshs. 20,000,000. During the Financial Year 2015/2016, the Agency was allocated a recurrent budget of Kshs. 237,352,500 and Capital Development budget of Kshs. 56,250,000. During the Financial Year 2016/2017, the Agency was allocated a recurrent budget of Kshs. 225,402,000 and Capital Development budget of Kshs.50, 000,000 to purchase Seized Counterfeit goods holding depots. However, the development budget was slashed to Kshs 12,500,000. This impacted negatively on the Agency as the Agency could not purchase a depot during the financial year.

### **Constraints and challenges;**

In many ways, the Financial Year 2016/17 was both challenging and incredibly eventful. With adequate funding to carry out its operations and continued support from the various stakeholders, the Agency will effectively deliver on its mandate.

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



Mr. Etema Halake, SS  
Executive Director

Date: 30/08/2018

## **VI. CORPORATE GOVERNANCE STATEMENT**

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

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

### **Role of the Board**

The members are responsible for the overall management of the Agency. They are responsible for determining the organization's mission, vision, purpose and core values of the Agency. In addition the Board has the role to set and oversee strategy and approve significant policies of the organization. Further, the Board needs to ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its stakeholders.

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

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

### **Key Board Activities**

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

During the year under review the Agency's board held 12 full board meetings. The Human Resource, Finance & General Purposes committee held 11 meetings; Technical Committee held 4 meetings and Audit & Risk Committee held 3 meetings.

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

▪ **Audit and Risk Management Committee;**

The Audit and Risk Management Committee is appointed by and shall act at the direction of the Board, to review policy papers and make recommendations on the functions delegated to them. The terms of reference of the Audit and Risk Management Committee shall be to assist the Board in the oversight of:-

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

▪ **Human Resource, Finance and General Purposes Committee;**

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

**Finance Matters:-**

- To Review and make recommendations to the Board on the financial strategy of the Agency ensuring its adequacy and soundness in providing for the Agency's current operations and long-term stability.
- To review, discuss and make recommendations to the Board concerning significant financial planning, management and reporting issues of the Agency.
- To review and make recommendations to the Board on financial issues arising from the annual financial statements of the Agency.
- To Review and discuss the Agency's procurement procedures to ensure that they are effective and in accordance with legal and regulatory requirements for the time being in force.
- To support the Agency in the achievement of procurement plans.

- To monitor and review the managements' strategy toward ensuring efficiency and integrity of the Agency's procurement systems.
- Perform such other duties and responsibilities as may be assigned to the Committee by the Board of Directors from time to time.

**Human Resource Matters:-**

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

▪ **Technical Committee;**

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

- Review the fundamental technical basis of the Agency's operations in order to enable the Board of Directors to make informed, strategic operational decisions and vote on related matters.
- Ensure that in all recommendations from the management, world-class standards are developed, practiced and leveraged throughout the Agency to create stakeholder value and ensure that statutory mandates are effectively fulfilled.
- Review and monitor the Agency's research and development reports.

- Review and monitor operational strategy based on current social, economic and political factors.
- Review technology systems as well as major investments in new operational models, partnerships and alliances.
- Review issues affecting the acceptance of the Agency's policy prescriptions by government and other stakeholders.
- Review significant emerging issues, policy briefs and regulatory improvements.
- Review all proposals made to or by the Agency for amendments to the Act and Regulations and make appropriate recommendations to the Board of Directors.

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As an Agency we acknowledge our responsibility to the environment and to the most vulnerable groups of people in the society. The Agency actively encourages members of staff to recognize these responsibilities, support initiatives and behave in a responsible manner towards the society. During each calendar year, members of staff are sensitized and encouraged to donate clothes, food stuff and money to particular local charities.

The Agency periodically plans and executes visit(s) to children's homes to show love, care and concern to the less fortunate in society. This year, the Anti-Counterfeit Agency Staff Welfare Association (ACASWA) planned the activity of paying a visit to Flomina children's home situated in Kayole, at the Eastland's part of Nairobi.

The event was organized on Friday the 17<sup>th</sup> February 2017, specifically targeting the environs of Valentine's Day to emphasize the importance of sharing and caring for the seemingly forgotten in society. The visit was themed "share the love" and members exuded enthusiasm and excellent team spirit in the organization and execution.

Flomina children's home has the vision of being a leading children home institution providing quality home services around the region. Their mission is to empower the homeless and neglected in the community, to become self-reliable via providence of parental care, basic needs, quality education and technical training. The home was started in 2002 and it caters for almost 200 children aged from months, to adults of above 20 years of age. Flomina children's home has adopted those rescued from domestic environments of abuse, parental or guardianship abandonment or imprisonment, states of orphanage among other vulnerable cases.

### **Sharing is caring**

A representation of the ACA fraternity headed out for a day trip to Kayole's Flomina children's home. The team had assembled some items for disbursement. The items comprised of clothes for persons of all ages and genders, dry foods and snack biting for the children. It was inspiring that staff donated generously, both in cash and in kind.

### **Execution**

The principal madam Flomina led her team in warm appreciation of the guests who were taken around in show case of some of the great initiatives set up by the fraternity, as proof of sound expenditure of the donor funding received. It was a day filled with fun and laughter as the team did various sports activities with the younger children who were availed, as the seniors studied at a nearby local area school. The Agency's representatives appreciated the forum and rested in the hope of being able to engage with the Flomina Children's home fraternity in the near future.





“... We make a living by what we get.....but we make a life by what we give” Winston Churchill

**VIII. REPORT OF THE DIRECTORS**

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

**Principal activities**

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

**Results**

The results of the Agency for the year ended June 30, 2017 are set out on page 1.

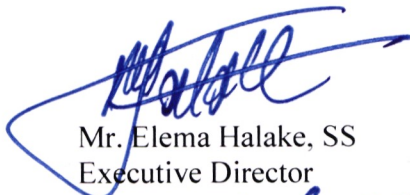
**Directors**

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

**Auditors**

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

By Order of the Board

  
Mr. Elema Halake, SS  
Executive Director  
Date: 30/8/2018

**IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**


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

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Agency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2017, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Agency will not remain a going concern for at least the next twelve months from the date of this statement.

  
Executive Director  
Date.....30/8/2018.....

  
Chairperson of the Board  
Date.....31/8/18.....

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON ANTI-COUNTERFEIT AGENCY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Anti-Counterfeit Agency set out on pages 1 to 39, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Anti-Counterfeit Agency as at 30 June 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Anti-Counterfeit Agency Act, 2008.

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

#### Basis for Opinion

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

#### Emphasis of Matter

##### 1. Staff Establishment

Examination of the staff establishment revealed that the proposed size of the Agency's establishment is two hundred and fifty (250) staff members but the actual number of staff in position as at 30 June 2017 was seventy-three (73), resulting to a shortfall in of one

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*Report of the Auditor-General on the Financial Statements of Anti-Counterfeit Agency for the year ended 30 June 2017*

hundred and seventy-seven (177). Further, the Agency's core function of enforcement was severely under-staffed as it had thirty-five (35) staff members in position against the recommended establishment of one hundred and forty-one (141) during the year under review.

Management have explained that they expect to recruit twenty-seven (27) inspectors in the financial year 2018/19 upon obtaining approval from the Head of Public Service and the National Treasury. However, even after the additional inspectors are recruited, the aggregate number will still fall short of the recommended establishment of 141 inspectors and therefore the Agency's ability to combat counterfeiting shall remain hampered for the foreseeable future.

## **2. Counterfeit Goods Depot**

An audit inspection carried out at the Agency's Depot in Nairobi revealed that highly flammable goods including gas cylinders, paints and lubricants were stored in the depot. Such goods should, as a precaution, be stored in a secure depot due to the grave risk they pose in the event of a fire outbreak in the stores. Management have indicated that they intend to separate the goods once the Agency acquires an additional depot budgeted for in the financial year 2018/2019.

### **Key Audit Matters**

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

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 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 ability of the Agency to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management is aware of the intention to liquidate the Agency or cease its 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.

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

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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 of Kenya. 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 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, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 Agency'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 Agency to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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 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**

**22 August 2018**

**XI. STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2017**

		<b>2017</b>	<b>2016</b>
<b>Revenue from non-exchange transactions</b>			
Recurrent Government Grant		225,402,000	237,352,500
Development Program-Based Activities		-	56,250,000
<b>Revenue from exchange transactions</b>			
Finance income external investments	6	383,521	496,751
Other Income	7	12,112,349	7,525,734
<b>Total revenue</b>		<b>237,897,870</b>	<b>301,624,985</b>
<b>Expenses</b>			
Employee costs	8	151,952,508	142,243,693
Board of Directors Expenses	9	4,068,252	5,715,573
Depreciation and amortization expense	10	23,023,622	20,533,940
General expenses	11	72,563,318	114,967,126
<b>Total expenses</b>		<b>251,607,700</b>	<b>283,460,332</b>
<b>Surplus/(Deficit)fortheperiod</b>		<b>(13,709,830)</b>	<b>18,164,653</b>

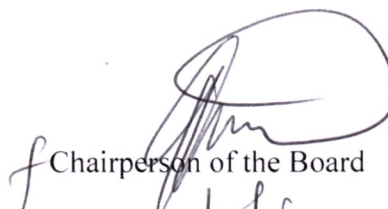
The notes on pages 7 to 23 form an integral part of the Financial Statements.

**XII. STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2017**

<b>Assets</b>		<b>2017</b>	<b>2016</b>
<b>Current assets</b>		<b>Ksh</b>	<b>Ksh</b>
Cash and cash equivalents	12	97,208,762	95,799,108
Receivables from non-exchange transactions	13	4,013,113	3,568,245
Inventories	14	980,663	1,011,053
		<b>102,202,538</b>	<b>100,378,406</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	53,497,917	43,024,791
Intangible assets	16	1,760,633	2,894,905
		<b>55,258,550</b>	<b>45,919,696</b>
<b>Total assets</b>		<b>157,461,088</b>	<b>146,298,102</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from non-exchange transactions	17	2,405,406	4,753,663
Staff Gratuity	18	330,236	31,104
		<b>2,735,642</b>	<b>4,784,767</b>
<b>Net Assets</b>			
Accumulated surplus		24,367,762	22,172,963
Reserves Government grant		130,357,684	119,340,372
		<b>154,725,446</b>	<b>141,513,335</b>
<b>Total Accumulated Surplus and liabilities</b>		<b>157,461,088</b>	<b>146,298,102</b>

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

  
 Executive Director  
 Date..... 30/8/18.....

  
 Chairperson of the Board  
 Date..... 31/8/18.....

**XIII. STATEMENT OF CHANGES IN NET ASSETS**  
**For the year ended 30 June 2017**

	<b>Reserves (Government Grant) Kshs</b>	<b>Accumulated surplus Kshs</b>	<b>Total Kshs</b>
<b>Balance as at 30 JUNE 2016</b>	<b>119,340,372</b>	<b>22,172,964</b>	<b>141,513,336</b>
Deficit for the period		(13,709,830)	(13,709,830)
Revaluation surplus		15,904,628	15,904,628
Depreciation	(1,482,688.00)		(1,482,688)
Development Funds	12,500,000		12,500,000
<b>Balance as at 30 JUNE 2017</b>	<b>130,357,684</b>	<b>24,367,762</b>	<b>154,725,446</b>

**XIV. STATEMENT OF CASHFLOWS**

	Note	2016/2017 Shs	2015/2016 Shs
Cash and cash equivalents at the beginning of the quarter		<b>95,799,108</b>	<b>94,729,090</b>
<b>Cash flows from operating activities</b>			
Government grants and subsidies	5	237,902,000	293,602,500
Finance income	6	383,521	496,751
Other income, rentals and agency fees	7	12,112,349	7,525,734
		<b>250,397,870</b>	<b>301,624,985</b>
<b>Payments</b>			
Employees Costs	8	(151,952,508)	(142,243,693)
Remuneration of directors	9	(4,068,252)	(5,715,573)
General Expenses	11	(72,563,318)	(114,967,127)
Net cash flows from operating activities		<b>(228,584,078)</b>	<b>(262,926,393)</b>
<b>Cash flows from investing activities</b>			
Purchase of Non-Current Assets	15	(16,665,535)	(34,519,915)
Purchase of intangible assets	16	(1,275,000)	(2,014,053)
(Decrease)/increase in current receivables		(2,463,603)	(1,094,607)
Net cash flows used in investing activities		<b>(20,404,138)</b>	<b>(37,628,575)</b>
Net increase/(decrease) in cash and cash equivalents		1,409,654	1,070,017
Cash and cash equivalents as at 30th June	12	<b>97,208,762</b>	<b>95,799,107</b>

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

Revenue	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2017 Kshs	2017 Kshs	2017 Kshs	2017 Kshs	2017 Kshs	2017 Kshs	2017 Kshs	2017 Kshs	2017 Kshs	2017 Kshs
Government grants Recurrent	225,402,000			225,402,000	225,402,000		225,402,000		-	
Government grants Development									-	
Finance Income	-		-				383,521		383,521	
Other Incomes	5,000,000		3,000,000	8,000,000	8,000,000		12,112,349		4,112,349	
<b>Total income</b>	<b>230,402,000</b>		<b>3,000,000</b>	<b>233,402,000</b>	<b>233,402,000</b>		<b>237,897,870</b>		<b>4,495,870</b>	
<b>Expenses</b>										
Compensation of employees	158,862,000		(5,226,800)	153,635,200	153,635,200		151,952,508		1,665,840	
Board Services	3,000,000		1,150,000	4,150,000	4,150,000		4,068,252		165,570	
Goods and services	46,983,900		(5,067,100)	41,916,800	41,916,800		41,542,392		090,718	
Rent paid	22,000,000		11,700,000	33,700,000	33,700,000		31,020,926		2,679,074	
Depreciation	-		-	-	-		23,023,622		(23,023,622)	
<b>Total expenditure</b>	<b>230,845,900</b>		<b>2,556,100</b>	<b>233,402,000</b>	<b>233,402,000</b>		<b>251,607,700</b>		<b>(18,205,700)</b>	
<b>Deficit for the period</b>										<b>(13,709,830)</b>

<b>Capital Budget</b>					
Retained Reserves	20,000,000	-	20,000,000	20,000,000	-
Purchase of Go downs	-	12,500,000	12,500,000	12,500,000	-
<b>Total income</b>	20,000,000	-	32,500,000	32,500,000	-
<b>Expenses</b>					
Purchase of assets	20,000,000	-	20,000,000	19,986,281	13,719
Purchase of Go downs			12,500,000	-	12,500,000
<b>Total Capital expenditure</b>	20,000,000	(12,500,000)	32,500,000	19,986,281	12,513,719
<b>Deficit for the period</b>	-	12,500,000	-	12,513,719	(12,513,719)

**Notes to explain the variance:**

1. Depreciation  
This is a non-cash item hence not budgeted for.
2. Compensation of employees  
Recruitment of Executive Director was not finalized as budgeted for during the financial year.
3. Rent Paid  
Rent paid increased due to delay in moving to the new office premises
4. Purchase of Go downs  
Purchase of depots has been schedule for the financial year 2017/2018

**XVI. NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

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

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

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

The Agency's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Agency and all values are rounded to the nearest whole number. The accounting policies have been applied to 2016/2017 financial year presented.

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

**3. Adoption of New and Revised Standards****i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS	<b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. <i>The Agency adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</i>
<b>IPSAS 34:</b> Separate Financial Statements	<b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and

Standard	Impact
	<p>associates when an entity prepares separate financial statements.  <i>The Agency does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i></p>
<p><b>IPSAS 35:</b>                      Consolidated Financial Statements</p>	<p><b>Effective for annual periods beginning on or January 1, 2017)</b>                      In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other entity</li> <li>- Its exposure or rights to variable benefits from involvement with the other entity</li> <li>- Its ability to control the nature, timing and amount of benefits from the other entity.</li> </ul> <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.  <i>The Agency does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i></p>
<p><b>IPSAS 36:</b>                      Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)                      In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.  <i>The Agency does not have investments in associates or joint ventures</i></p>
<p><b>IPSAS 37: Joint Arrangements</b></p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b>                      In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.  <i>The Agency does not have an interest in a joint arrangement and therefore the standard does not apply</i></p>
<p><b>IPSAS 38:</b>                      Disclosure of Interests in Other Entities</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b>                      In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.  <i>The Agency does not have an interests in other entities and therefore the standard does not apply</i></p>

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

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

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2017.

**4. Summary of significant accounting policies**

**a) Revenue recognition**

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

**Fees, taxes and fines**

The Agency recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agency and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Agency and can be measured reliably.

The agency received the below transfers from the Ministry of trade and industrialization.

Transfer date	Type of transfer	Financial period	State Department	Amount
28.08.16	Recurrent	2016/17	Trade	56,350,500.00
21.09.16	Development	2016/17	Industrialization & Enterprise Development	12,500,000.00
11.11.16	Recurrent	2016/17	Trade	56,350,500.00
31.01.17	Recurrent	2016/17	Trade	56,350,500.00
04.05.17	Recurrent	2016/17	Trade	56,350,500.00
<b>TOTAL</b>				<b>237,902,000.00</b>

**ii) Revenue from exchange transactions – IPSAS 9**

***Rendering of services***

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labourhours 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.

***Sale of tender documents***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency.

***Interest income***

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

**b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Agency differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Property, plant and equipment – IPSAS 17**

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

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

**d) Leases – IPSAS 13**

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

**e) 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.

**f) Financial instruments – IPSAS 29**

***Financial assets***

***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agency determines the classification of its financial assets at initial recognition.

***Loans and receivables***

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

***Held-to-maturity***

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

***Impairment of financial assets***

The Entity 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 cashflows 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)

**g) Financial Instruments Disclosures – IPSAS 30**

- The Agency has taken insurance policies on its assets to mitigate against operational risks. The Agency is further in the process of reviewing its ACT in order to capture changes in the business environment and mitigate against arising business continuity risks.

***i) 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 Entity 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.

IPSAS 29.65

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

**h) Inventories – IPSAS 12**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

#### **i) Provisions – IPSAS 19**

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

#### ***Contingent liabilities***

The Agency does not recognize a contingent liability, but discloses details of a possible obligation whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

#### ***Contingent assets***

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

#### **j) Nature and purpose of reserves**

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

**k) Changes in accounting policies and estimates – IPSAS 3**

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

**l) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The Agency provides retirement benefits for its permanent and pensionable employees. Further an amount equivalent to 31% of basic salary is set aside as gratuity for all employees on contract. The Agency's contribution towards employee pension scheme and gratuity for those on contract is charged to the statement of financial performance in the year to which the employees rendered their services to the Agency. The Agency will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**m) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. The Agency did not have any foreign currency transactions in the financial year ended 30<sup>th</sup> June 2017.

**n) Related parties – IPSAS 20**

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

**o) Cash and cash equivalents**

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

**p) Comparative figures**

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

**q) Significant judgments and sources of estimation uncertainty – IPSAS 1**

The preparation of the Agency's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses,

assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

### **Key sources of estimation uncertainty**

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

#### **Equipment**

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

#### **Impairment**

At each statement of financial position date, the organization reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the organization estimates the recoverable amount of the cash generating unit to which the asset belongs.

#### **Provisions and contingent liabilities**

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

#### ***Estimates and assumptions***

The Agency based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Agency. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### ***Useful lives and residual values***

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

- The condition of the asset based on the assessment of experts employed by the Agency

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**r) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

**5. Transfers from government**

	2017 Shs	2016 Shs
<b>Operational grant</b>		
Recurrent Government Grant	225,402,000	237,352,500
Development Program-Based Activities	12,500,000	56,250,000
Disbursements from the Ministry of Industry, Trade and Cooperatives during the Financial Period.	<b>237,902,000</b>	<b>293,602,500</b>

**6. Finance income-external investments**

	2017 Shs	2016 Shs
Cash investments and fixed deposits	<b>383,521</b>	<b>496,751</b>

**7. Other income**

	2017 Shs	2016 Shs
Complaint Filing Fees	4,417,333	3,846,480
Destruction & Storage Fees	7,655,016	3,679,254
British High Commission Grants	-	-
Sale of Tender Documents	40,000	-
<b>Total other income</b>	<b>12,112,349</b>	<b>7,525,734</b>

**8. Employee Costs**

	2017 Shs	2016 Shs
Employee related costs salaries and Allowances	127,356,240	121,503,192
Casual & Interns	2,160,206	1,688,397
Employee related costs-contributions to staff gratuity	783,105	454,198
Employee related costs-contributions to NSSF, pensions and medical aids	21,652,957	18,597,906
<b>Total Employee costs</b>	<b>151,952,508</b>	<b>142,243,693</b>

**9. Board of Directors Expenses**

	<b>2017</b>	<b>2016</b>
	<b>Shs</b>	<b>Shs</b>
Board Allowances	2,297,600	2,631,507
Board Travel and other Expenses	1,369,092	1,190,301
Board Committees, Conferences & Seminars	401,560	1,371,765
Chairman Honoraria & Tel. Allow	-	522,000
<b>Total Board of Directors Expenses</b>	<b>4,068,252</b>	<b>5,715,573</b>

**10. Depreciation and amortization expense**

	<b>2017</b>	<b>2016</b>
	<b>Shs</b>	<b>Shs</b>
Property, plant and equipment	20,614,350	18,548,485
Intangible assets	2,409,272	1,985,455
<b>Total depreciation and amortization</b>	<b>23,023,622</b>	<b>20,533,940</b>

**11. General expenses**

**The following are included in general expenses:**

	<b>2017</b>	<b>2016</b>
	<b>Shs</b>	<b>Shs</b>
Asset Tagging	-	585,000
Comm. Supplies & Services	1,682,457	2,431,046
Corporate Social Responsibility	-	100,000
Destruction Charges	926,880	1,076,220
Domestic Travel & Daily Subsistence Allowance	11,379,874	15,943,109
Finance Costs	119,105	135,249
Foreign Travel & Daily Subsistence Allowance	839,486	482,644
Fuel, Oil & Lubricants	1,639,691	2,036,700
General Insurance Costs	1,529,240	1,658,150
Hospitalities & Services	1,364,089	1,504,254
Membership & Subscriptions Fees	290,484	302,214
Office & Gen. Supplies/Services	3,456,897	4,867,721
Parking Charges	3,086,518	1,606,024
Printing, Advertising & Services	3,543,836	7,324,464
Professional & Consultancy Services	2,407,264	3,297,876
Promotional Activities	1,264,559	3,778,690
Provision for Audit Fees	535,602	535,398
Research	1,144,412	5,736,736
Rent	31,020,927	38,040,326
Routine Maintenance Others	396,138	2,807,790

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Routine Maintenance Vehicles	944,573	1,521,064
Security Charges	1,946,160	1,826,142
Training Expenses	365,019	13,142,524
Transport Cost For Seized Goods	1,091,425	381,938
Utilities Electricity	1,588,682	3,845,847
<b>Total general expenses</b>	<b>72,563,318</b>	<b>114,967,126</b>

**12. Cash and cash equivalents**

	2017	2016
	Shs	Shs
ACA KCB Main Bank Account	66,087,373	86,448,780
ACA KCB Development Account	17,123,399	347,358
ACA KCB Revenue Account	7,055,254	2,449,756
ACA NIC Bank Limited Short-term Deposit	6,936,736	6,553,214
Petty Cash Kisumu	6,000	-
<b>Total cash and cash equivalents</b>	<b>97,208,762</b>	<b>95,799,108</b>

**13. Receivables from non-exchange contracts**

<b>Prepayments</b>	2017	2016
	Shs	Shs
Medical Insurance	2,573,921	2,724,756
Rent Prepayment	595,370	65,511
Group Insurance WIBA	153,750	105,482
General Insurance Prepayment	546,072	437,096
Parking Prepayment	-	104,400
Account Receivables Staff Imprests	144,000	131,000
<b>Total current receivables</b>	<b>4,013,113</b>	<b>3,568,245</b>

**14. Inventories**

	2017	2016
	Shs	Shs
Consumable stores	980,663	1,011,053

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**15. Property, Plant and Equipment**

Cost	Motor Vehicles		Computers		Office Equipment		Furniture & Fittings		Leasehold Improvements		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 30 June 2016	66,017,281	12,042,370	14,822,475	28,873,166	18,737,051	140,492,343						
Additions	-	-	-	46,940	16,618,595	16,665,535						
Revaluation	15,904,628											
<b>At 30 June 2017</b>	<b>81,921,9209</b>	<b>12,042,370</b>	<b>14,822,475</b>	<b>28,920,106</b>	<b>35,355,646</b>	<b>157,157,878</b>						
<b>Depreciation</b>												
At 30 June 2016	50,621,235	10,393,668	7,974,780	15,227,211	13,250,657	97,467,552						
Depreciation	10,700,564	952,426	1,852,809	3,615,013	4,976,225	18,120,880						
<b>At 30 June 2017</b>	<b>61,321,799</b>	<b>11,346,094</b>	<b>9,827,590</b>	<b>18,842,224</b>	<b>18,226,882</b>	<b>115,588,432</b>						
<b>Net book values</b>												
At 30 June 2017	20,600,110	696,276	4,994,885	10,077,882	17,128,763	53,497,917						
<b>At 30 June 2016</b>	<b>15,396,046</b>	<b>1,648,702</b>	<b>6,847,695</b>	<b>13,645,955</b>	<b>5,486,394</b>	<b>43,024,791</b>						

**16. Intangible assets software**

<b>Cost</b>	<b>Shs</b>
At 30 June 2016	8,102,688
Additions	1,275,000
At 30 June 2017	<u>9,377,688</u>

**Amortization and impairment**

At 30 June 2016	5,207,783
Amortization	2,409,272
At 30 June 2017	<u>7,617,055</u>

**Net book values**

At 30 June 2017	<u>1,760,633</u>
At 30 June 2016	2,894,905

**17. Trade and other payables from non-exchange transactions**

	2017 Shs	2016 Shs
Account Payable Liabilities	2,405,406	4,753,663
<b>Total trade and other payables</b>	<u>2,405,406</u>	<u>4,753,663</u>

**18. Staff Gratuity**

	2017 Shs	2016 Shs
Staff Gratuity b/d	31,104	31,104
Gratuity for the year	783,104	494,094
Payments	(483,972)	(494,094)
<b>Total Staff Gratuity</b>	<u>330,236</u>	<u>31,104</u>

**19. Financial Risk Management**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>
<b>At 30 June 2017</b>			
Receivables from non-exchange transactions	4,013,113	3,914,113	99,000
Bank balances	97,208,762	97,208,762	-
<b>Total</b>	<b>101,221,875</b>	<b>101,122,875</b>	<b>99,000</b>
<b>At 30 June 2016</b>			
Receivables from non-exchange transactions	3,568,245	3,469,245	99,000
Bank balances	95,799,108	95,799,108	-
<b>Total</b>	<b>99,367,353</b>	<b>99,268,353</b>	<b>99,000</b>

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

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

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

The table below represents cash flows payable by the company 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	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2017</b>				
Trade payables	641,069	1,764,337	-	2,405,406
Employee benefit obligation	330,236	-	-	330,236
<b>Total</b>	<b>971,305</b>	<b>1,764,337</b>	<b>-</b>	<b>2,735,642</b>
<b>At 30 June 2016</b>				
Trade payables	4,297,203	456,460	-	4,753,663
Employee benefit obligation	31,104	-	-	31,104
<b>Total</b>	<b>4,328,307</b>	<b>456,460</b>	<b>-</b>	<b>4,784,767</b>

### (iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

### (iv) Foreign currency risk

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

The Agency did not have a carrying amount of foreign currency denominated monetary assets and monetary liabilities at the end of the financial year 2016/2017.

## 20. Related Party Balances

### a) Nature of related party relationships

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

The Agency is related to

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

iv) Board of directors;

### b) Related party transactions

The following transactions were carried out with related parties.

	2017 Kshs	2016 Kshs
Transfers from GOK	237,902,000	293,602,500
Transfers to related parties	-	-
	<b>237,902,000</b>	<b>293,602,500</b>

### c) Key management remuneration

	2017 Kshs	2016 Kshs
Directors'	2,297,600	2,631,507
Key management compensation	15,636,165	15,212,167
	<b>17,933,765</b>	<b>17,843,674</b>

## 21. Events after the reporting period

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

## 22. Contingent Liability

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

A consignment of ink and toner cartridges valued at Kshs 4,761,600 was lost at the Kyang'ombe depot and the owner of the seized goods M/s Toner Mart Technologies had sued the Agency. Judgment in respect of this case had not been determined as at June 30, 2017. The amounts have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from this case.

James Kimani Mwangi of Ms SWEPCO Ltd has sued the agency for damages after the court ruled that he had no case to answer in a case where the agency had charged him with four counts of having in his possession in the course of trade, counterfeit goods contrary to section 32(a) as read with section 35(1) of the Anti-Counterfeit Act, 2008. Judgment in respect of this case had not been determined as at June 30, 2017. The amounts have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from this case.

The Agency received invoices from Sichangi Partners Advocates amounting to Kshs. 8,550,500. Out of this amount one matter, petition No. 55 of 2015 for Kshs, 850,500 was properly procured and granted approval by the Attorney General. The Agency has so far paid Kshs. 510,300 awaiting finalisation of the case to settle the full amount. The balance of Kshs. 7,700,000 claimed by Sichangi Partners Advocates is yet to be paid as the matter is currently under investigation by Ethics and Anti-corruption Commission which commenced on 17<sup>th</sup> January, 2017.

## 23. Taxation

The Agency is tax exempt by an Act of Parliament.

**VII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue/Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
2.1	Legal services procured without the authority of the Attorney General may be deemed to be in breach of the law and may condemn the concerned officer(s) to a liability of surcharge as provided by Article 226(5) of the Constitution.	The matter is currently under investigation by Ethics and Anti-corruption Commission which commenced on 17 <sup>th</sup> January, 2017.	Mr. Johnson Adera, Deputy Director Enforcement & Legal Services	In progress	Ongoing
2.2	During the 2014/15 financial year, it was observed that the Agency vehicle a VW Passat which was involved in an accident was towed to the Agency's depot at Kyang'ombe and the matter was not reported to the insurer for compensation. The management had at the time cited some difficulties and promised to undertake remedial measures over the	The Agency committed funds to replace the gearbox. The procurement processes was finalised and an LPO issued to Rahim Auto Technologies to replace the gearbox.	Mr. Elema Halake, Executive Director	In progress	Ongoing

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	<p>matter. Consequently, the issue was kept in abeyance to be revisited during the current year.</p>				
2.7	<p>Aconsignment of ink and toner cartridges valued at Kshs 4,761,600 was lost at the Kyang'ombe depot and the owner of the seized goods M/s Toner Mart Technologies had sued the Agency.</p>	<p>The proprietor of Toner Mart sued the Agency for compensation for the value of the lost goods and those damaged from flooding. The case is partly heard and is yet to be concluded.</p>	High Court	In progress	Court determination of the case

**XVIII. Appendix 1: STATUS OF PERFORMANCE**

STRATEGY	MAIN ACTIVITIES	INDICATOR	TARGET	ACTUAL	VARIANCE	BUDGET ESTIMATES	ACTUAL EXPENSE	PERFORMANCE
<b>STRATEGIC OBJECTIVE 1: To Strengthen Measures of Combating Counterfeiting</b>								
Inter-agency collaborations	Develop an inter-agency collaboration framework Implement inter-agency framework	Report	1	1	-	-	-	Inter-Agency collaboration framework was established.  The Agency Continues to implement MOUs with KAM and KIPPRA. The Agency initiated MOUs with Unilever and Turkana County Government
Surveillance of counterfeiting	Enhance intelligence gathering mechanism Intelligence processing & dissemination	Intelligence reports Reports	1 4	1 4	- -	- -	- -	The Agency reviewed Intelligence gathering policy and continues to implement.  Enforcement strategies strengthened.
<b>Investigations of Intellectual Property Rights</b>	Create and maintain database of registered brands and	Updated database	1	1	-	-	-	The Agency maintains updated IPR Complaints and Suo Motto registers.



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	Availing seized goods as exhibits	Depot reports	4	4	-	-	Cases were prosecuted successfully.
<b>Disposal of seized counterfeits</b>	Release or destruction of counterfeit goods	Disposal reports.	4	4	-	<b>2,500,000</b>	Compliance with the court orders. The value of seized goods destroyed during the period was Kshs. 320,357,049.25
<b>Engage partners and evaluate engagement</b>	Benchmarking and exchange programmes	Benchmarking Reports	4	4	-	<b>1,000,000</b>	<b>839,486</b>
						<b>12,250,000</b>	<b>11,459,273</b>

**STRATEGIC OBJECTIVE I: To enhance awareness and outreach**

<b>Establish an inter-agency outreach road map</b>	Participate in anti-counterfeit events locally, regionally and internationally	Reports	4	4	-	1,000,000	3,424,882	The Agency participated in 2 public fora & outreach activities in Nairobi County which were held during the World Intellectual Property Day (WIPD) commemorations 24th to 26th April which involved two activities; -exhibitions at KICC on 24th – 26th April, 2017 -open lecture at Museum on 26th April, 2017
<b>Establish a platform for publicity through the media</b>	Publicity in the media	Reports	4	4	-	1,000,000	2,425,747	The Agency has implemented a platform for publicity through the media coverage across the media houses.

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										The Bi-annual newsletter was developed and disseminated through the website. The Agency continues to conduct publicity through the website and through social media.	
<b>Sub-total</b>										<b>2,000,000</b>	<b>5,850,629</b>

**STRATEGIC OBJECTIVE 2: To Establish a training program on counterfeiting**

<b>Developing a training of trainers (TOT) program</b>	Conduct TOTs programs	4	4	-	500,000	412,361	The Agency has developed a training of trainers (TOT) program and will roll out in FY 2017/2018 Kenya Alliance of Residents Associations (KARA) expo & Conference 25th – 27th November, 2016  Post-Harvest and Grain Fumigation Training on 22 <sup>nd</sup> to 26 <sup>th</sup> May, 2017 organized by the Agro-Chemical Association of Kenya. The training was aimed at discouraging the IPR owners and industry players from engaging in counterfeiting
<b>Developing and dissemination</b>	Design, artwork and printing	4	4	-	700,000	587,642	IEC materials printed and disseminated.

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of IEC materials										
Conduct workshops, seminars, conferences and town halls	Organize workshops, seminars conferences.	No of activities	5	17	12	1,000,000	1,139,627			The Agency organized and conducts awareness 17 forums for enforcement agencies and IPR owners.
Sub-total						2,200,000	2,139,630			
<b>STRATEGIC OBJECTIVE I: To inform Policy, Enforcement and Awareness</b>										
Organizational risk assessment	Assess the Agency preparedness to manage risks	Risk management reports	4	4	-	-	-			The Agency has established nature and prevalence of risks and mitigation plan. The QMS procedures have been reviewed to incorporate risk mitigation controls to manage risks. The Risk Assessment Framework will be tabled to the board for approval. The Agency also assessed its preparedness to manage risks. The survey revealed that the agency relies entirely on funding from the government. This would lead to delays in implementations of various programs. Furthermore the funds from the government are not enough to allow for total implementation of the Agency's operations.

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<b>Market intelligence</b>	Analyse market trends	Report on market trends	2	2	-	2,000,000	1,144,412	<p>The Agency carried out a market intelligence survey in Coast and Nairobi region on anti-counterfeiting measures and strategies among the Police, Judiciary and office of the Director of Public Prosecution (ODPP) in Kenya.</p> <p>The objectives were to:                  To determine the awareness levels on The Anti-Counterfeit Act 2008 and The Anti-Counterfeit regulations 2010.                  To find out if the law enforcers have been working with any organization in fighting counterfeiting.                  To establish the geographical roads for the entry of counterfeited goods in the country.</p> <p>To determine the main obstacles for law enforcement in curbing counterfeiting in Kenya and measures to address the obstacles.</p>
<b>Sub-total</b>						<b>2,000,000</b>	<b>1,144,412</b>	

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<p><b>Manage customer expectations</b></p>	<p>Implement recommendations of internal and external surveys</p>	<p>Reports</p>	<p>4</p>	<p>4</p>	<p>-</p>	<p>3,500,000</p>		<p>The Agency terminated services of cleaning company due to poor services and has since engaged casuals to provide cleaning services from the remaining part of the year. The Agency conducted the work environment survey which revealed that the Agency has done recommendable work in various fields such as provision of adequate working space, lighting, ventilation, working tools and also giving its employees their annual and maternal leaves.</p>
	<p>Implementation of performance contract activities</p>	<p>Reports</p>	<p>4</p>	<p>4</p>	<p>-</p>	<p>500,000</p>		<p>The various committees were facilitated to conduct their planned activities towards achieving Performance contract targets.</p>
	<p>Printing and information services</p>	<p>Reports</p>	<p>4</p>	<p>4</p>	<p>-</p>	<p>1,000,000</p>	<p>1,013,228</p>	
	<p>Logistical support</p>	<p>Reports</p>	<p>4</p>	<p>4</p>	<p>-</p>	<p>1,500,000</p>	<p>846,455</p>	
	<p>Review and implement service charter</p>	<p>Reports</p>	<p>4</p>	<p>4</p>	<p>-</p>	<p>-</p>		<p>The review of the Service Charter has improved customer care.</p>

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Validate and Launch the Strategic Plan	Reports	4	4	-	3,000,000	2,950,876	The Anti-Counterfeit Agency's second strategic plan FY 2017-2022 was successfully launched on 20th July, 2017 at the Boma Inn hotel. The launch reiterated the Agency's commitment to combating counterfeiting and the need to work closely with the stakeholders. The event was attended by over 150 people who included our stakeholders, the media and members of the Anti-Counterfeit Agency
Implement fully all QMS requirements	Quality Management Policy Manual ISO certificate	1	0	-1	1,500,000		The Agency conducted the 1 <sup>st</sup> Internal Quality Audit from 20 <sup>th</sup> -22 <sup>nd</sup> March 2017. The audit process was very successful. The auditors received all the necessary cooperation allowing the collection of audit evidence and the evaluation of this evidence to come up with the audit findings and conclusion in the report. The Corrective Actions were identified and have been undertaken. The Agency conducted the 2 <sup>nd</sup> internal audit from 9 <sup>th</sup> - 12 <sup>th</sup> May 2017. The pre-certification audit

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										was conducted from 29 <sup>th</sup> - 30 <sup>th</sup> May 2017 The Agency applied for certification with SGS. The Agency is in the process of carrying out all the corrective actions in readiness for the certification audit scheduled for 28-31 August 2017.
<b>Sub-total</b>										<b>11,000,000</b> <b>4,810,559</b>

**STRATEGIC OBJECTIVE 2: To strengthen human capital**

<b>Develop a sound recruitment and retention system</b>	Provide Competitive remuneration	Reports	4	4	4	-	147,862,000	141,049,329	Timely payment of staff emoluments
	Provision of adequate and secure office space	Reports	4	4	4	-	46,440,000	42,227,787	Timely payments of rent in the head office and regional offices.
	Enhance employee health and safety	Reports	4	4	4	-	11,000,000	10,333,116	Staff Medical cover was provided.
<b>Asset management</b>	Repair and maintenance	Reports	4	4	4	-	5,550,000	1,340,711	Repairs and maintenance of the Agency's assets carried out throughout the year
	Develop and Implement staff development	Reports	4	4	4	-	2,200,000	655,503	Few staff trained

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	programs								
<b>Sub-total</b>								<b>213,052,000</b>	<b>195,606,446</b>
<b>STRATEGIC OBJECTIVE 3: To Practice Prudent Financial Management</b>									
<b>Optimize the use of resources</b>	Budgetary control and financial reporting	Financial Reports	4	4	-			900,000	654,707
<b>Sub-total</b>								<b>900,000</b>	<b>654,707</b>
<b>STRATEGIC OBJECTIVE 4: To integrate ICT in operations</b>									
<b>Automate operations of ACA</b>	Upgrade mail server	Upgrade the server	1	1	-			2,000,000	1,275,000
	Institutionalize an ICT culture	Report	4	4	-			2,000,000	1,575,170
									<p>The server was upgraded to improve e-mail communication.</p> <p>The Agency continued to adhere to web design standards as it is accessible, usable, and interoperable and the graphics looks and feel are related to the standards and policies.</p> <p>The Agency upgraded from wireless internet connection to fibre optic cable connection.</p> <p>The Agency renewed Anti-Virus licenses in February 2017.</p> <p>The Agency's domain name</p>







