

REPUBLIC OF KENYA



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Chief Whip,
Hon. Emmanuel Wanyenze, MP
Finlay Muriuki

THE AUDITOR-GENERAL

ON

FINANCIAL REPORTING CENTRE

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



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International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Regulatory and Other Non – Commercial Government Owned Entities
(Semi - Autonomous Government Agencies and Public Funds Established by an Act of Parliament or a Legal Notice)

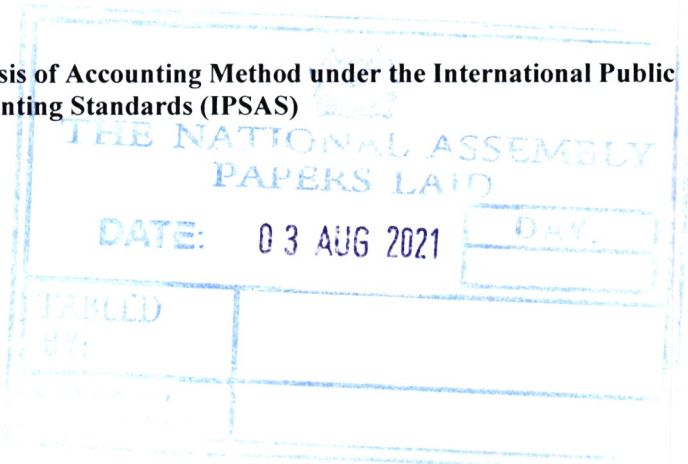
REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

FINANCIAL REPORTING CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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



Financial Reporting Centre
Annual Reports and Financial Statements
For the year ended 30th June 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Financial Reporting Centre (FRC) was established by the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA No.9 of 2009) and is a body corporate, with perpetual succession and a common seal. The Prevention of Terrorism Act (POTA) 2012 also mandates the FRC with the fight against financing of terrorism.

FRC became operational in April 2012 as Kenya's Financial Intelligence Unit whose objectives are as follows:

- Assist in the identification of the proceeds of crime;
- Combating money laundering and terrorism financing;
- Make information collected by it available to investigating authorities and other relevant bodies to facilitate enforcement of the laws of Kenya;
- Exchange information with similar bodies in other countries in other countries regarding money laundering activities and related offences;
- Ensure compliance with international standards and best practice in anti-money laundering measures.

The functions of the FRC include:

- ✓ Receipt, analysis and interpretation of information as prescribed by POCAMLA and POTA;
- ✓ Compilation and analysis of data (records and statistics) including making recommendations arising out of any information received and issuing guidelines;
- ✓ Dissemination of financial intelligence reports within and outside Kenya;
- ✓ Registration of reporting institutions;
- ✓ Setting anti money laundering policies and formulation of regulations;
- ✓ Designing and provision of AML related training;
- ✓ Creation and maintenance of a database of amongst others, reports of suspicious transactions and related Government information;
- ✓ Inspection of reporting entities for compliance;
- ✓ Public awareness.

(b) Key Management

The Financial Reporting Centre is an independent body responsible for combating money laundering and terrorism financing. The FRC is administered through staff who carry out the day-to-day activities of Centre. The Centre's activities are executed through the Director General who is also the Centre's CEO assisted by heads of departments. The POCAMLA establishes the Anti-Money Laundering Advisory Board (AMLAB) under section and sets out its functions under section 50, which include, advising the Centre generally on its functions and exercise of its powers under the Act.

(c) Fiduciary Management

During the financial year under focus, operations of the FRC were undertaken by the Centre's staff and administered by the Director General / Chief Executive Officer of the Centre. The Director General / Chief Executive Officer hereby submits the report of the Centre and the financial statements for the year ended 30th June, 2020 which show the state of the Centre's affairs.

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|--|------------------|
| 1. | Director General/CEO | Saitoti K. Maika |
| 2. | Company Secretary & Director, Legal, Compliance & External Relations | James Manyonge |
| 3. | Director, Financial Analysis & Reporting | Shem P. Gowi |
| 4. | Director, Corporate Services | Emmy J. Kiptugen |

Fiduciary Oversight Arrangements

The overall oversight of the Centre finances lies with the Parliamentary Public Accounts Committee. Pursuant to section 18 of the Government Financial Management Act, 2004 and section 9 (e) of the Legal Notice No. 168 (Legislative Supplement No. 51) of 22nd December 2006, the Centre's Auditor remains the Auditor General of the Government of Kenya.

(a) Entity Headquarters

UAP Old Mutual Tower, Upper- Hill
P.O. Box Private Bag 00200
NAIROBI

(b) Entity Contacts

Telephone: 254-020-709858000
E-mail: info@frc.go.ke
Website: www.frc.go.ke

(c) Entity Bankers

Kenya Commercial Bank Ltd
KICC Branch
A/C No. 1211924076
P O Box 48400-00100
NAIROBI

(d) Independent Auditors

Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084, GPO 00100
NAIROBI





(e) Principal Legal Adviser

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




MEMBERS OF THE ANTI-MONEY LAUNDERING ADVISORY BOARD

| No. | Name | Role & Representation |
|------------|----------------------------------|---|
| 1. | Rose K. Nkonge | Chairperson (Private Sector Representative) |
| 2. | Miriam Wambui Gaituri | Member (Private Sector Representative) |
| 3. | Paul Kariuki Kihara | Member (Attorney General) |
| 4. | Dr. Julius Muia | Member (Principal Secretary, The National Treasury) |
| 5. | Dr. Patrick Njoroge | Member (Governor, Central Bank of Kenya) |
| 6. | Hillary Mutyambai | Member (Inspector General of Police) |
| 7. | Maj. Gen. (Rtd) Philip W. Kameru | Director General, National Intelligence Service) |
| 8. | Muthoni Kimani | Member (Director, Asset Recovery Agency) |
| 9. | Joshua Oigara | Member (Chairman Kenya Bankers Association) |
| 10. | CPA Edwin Makori | Member (Institute of Certified Public Accountants of Kenya) |
| 11. | Saitoti Maika | Secretary / Director General/ Chief Executive Officer, Financial Reporting Centre |

MANAGEMENT TEAM

| | | |
|-----------|---|--|
| <p>1.</p> |  <p>Saitoti K. Maika BA (Bachelor of Arts)</p> | <p>Director General/Chief Executive Officer</p> |
| <p>2.</p> |  <p>James Manyonge MBA; LLB; BSL; Dip. Law; CPS (K)</p> | <p>Corporation Secretary and Director, Legal, Compliance & External Relations</p> |
| <p>3.</p> |  <p>Shem Peter Gowi MBA-Finance & B.Com Accounting</p> | <p>Director, Financial Intelligence Analysis and Reporting</p> |
| <p>4.</p> |  <p>Emmy J. Kiptugen MBA-SM, B.COM-BA, Diploma-MIS Diploma-CIB</p> | <p>Director, Corporate Services</p> |

| | | |
|----|--|--|
| 5. |  <p>CPA Ruth Bosibori Momanyi B.COM, MBA in Finance, CPA(K)</p> | Manager, Finance and Accounts |
| 6. |  <p>Abednego Marube Mogire MSc Computer Science & BSc Engineering</p> | Manager, Information Communication Technology |
| 7. |  <p>Kennedy M. Mwai LLB; Dip. Law</p> | Manager, External Relations |

| | | |
|-----|--|--|
| 8. |  <p>Timothy Kathuli M.Arts & B.A Criminology & Social Order</p> | Manager, Financial Intelligence Analysis |
| 9. |  <p>Fredrick O. Adeka B. Arts, CPS (K), Higher Dip. In HRM, Dip. in Labour Mgt.</p> | Principal Officer, Human Resource Management and Administration |
| 10. |  <p>Isaac Kinyanjui Ruchuu B. Com, Dip in Supply Management</p> | Principal Supply Chain Management Officer |

CHAIRPERSON'S STATEMENT

On behalf of the Anti-Money Laundering Board (AMLAB) and the staff of the Financial Reporting Centre (FRC), I present the annual report for the year ended 30 June 2020.

Since commencing operations in April 2012, FRC operated under the stewardship of an Interim Director with staff seconded from relevant government agencies. During this reporting period, FRC was able to take several key steps towards more independence and efficient operations, building a stronger Centre to deliver the objectives of the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA) and in line with International Standards.

The Centre has taken keen focus in the development of its physical and technological infrastructure. During the reporting period, various Information Technology (IT) Systems were installed to enhance data analysis and secure dissemination of information to relevant law enforcement agencies. To support the full and effective operations of the Centre, FRC relocated to UAP Old Mutual Tower in Upper Hill to provide an enabling environment for the Centre to accommodate its staff complement.

The Financial Reporting Centre is part of a network of government and law enforcement agencies, including the National Police Service, National Security Intelligence Service, Attorney General's Office, Central Bank of Kenya, Office of the Director Public Prosecutions, Asset Recovery Agency, Ethics and Anti-Corruption Commission tasked with combating Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) in Kenya. A major challenge that FRC continues to face is the increasing levels of financial crimes in the Country. For Kenya to achieve better results in AML/CFT, greater effort and attention will require to be accorded to the disseminations provided by FRC to its partners.

On behalf of the Anti-Money Laundering Advisory Board (AMLAB) and the staff of FRC, I would like to acknowledge the support from the Government and all our partners who supported us during the year. We are particularly grateful to the National Treasury and Planning, the Central

Kenya Regulatory & Non - Commercial (Financial Reporting Centre)
Annual Reports and Financial Statements for the Year Ended June 30, 2020

On behalf of the Anti-Money Laundering Advisory Board (AMLAB) and the staff of FRC, I would like to acknowledge the support from the Government and all our partners who supported us during the year. We are particularly grateful to the National Treasury and Planning, the Central Bank of Kenya and SCAC for providing the FRC with the much-needed support in its foundational years.



ROSE K. NKONGE (MRS)

CHAIRPERSON, ANTI-MONEY LAUNDERING ADVISORY BOARD

REPORT OF THE CHIEF EXECUTIVE OFFICER

The Financial Reporting Centre (FRC) core mandate of assisting in the identification of proceeds of crime and combating money laundering and terrorism financing is an integral component of national security and is critical for the stability and integrity of the financial sector. FRC support to investigative and law enforcement agencies is equally critical hence the need for adequate funding.

Previously, Kenya was sanctioned by the Financial Action Task Force (FATF) for being a high-risk jurisdiction due to strategic deficiencies in its Anti-Money Laundering and Terrorist Financing (AML/CFT) regime that included non-operationalization of the Financial Reporting Centre. Full operationalization of the FRC is key in having a robust AML/CFT regime, more so as Kenya prepares to undergo an AML/CFT assessment by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) in 2021.

This calls for full implementation of all national AML/CFT and FRC programs that are components of the FRC budgeted activities. The FRC effectiveness supports growth of the private sector investment not only in pursuit of new economic opportunities but also in ensuring integrity of investment funding to support the **'Big 4 Agenda'** in particular investment in **Affordable Housing**. It is imperative to note that the Estate Agents Registration Board is categorized as a supervisory body under the Proceeds of Crime and Money Laundering Act, which mandates the FRC to regulate the real estate sector for purposes of AML/CFT.

In the Financial Year 2019/2020, the following were the key achievements

- Moved to new premises - The Centre has relocated from the Central Bank Pension Fund Building to the new offices at UAP Old Mutual Tower in Upper Hill in order to increase operational efficiencies as well as accommodate the existing and the additional staff that are expected to join the FRC in the current financial year. Offices are now fully fitted out for the Centre's use;

- Installed ICT infrastructure/platform including set up of the data centre and installed the requisite software. This enabled the Centre to have its own network domain for ease of communication with its stakeholders. With its new data centre, FRC can now install all the auxiliary IT software and tools to improve its operating efficiency.
- Conducted numerous industry workshops and capacity building trainings to reporting entities to enhance their ability to combat illicit financial flows, and thereby increase efficiency in the fight against money laundering and terrorism financing.
- Increased the number and quality of reports that were disseminated to investigative agencies to facilitate enforcement of the laws of Kenya regarding the combating money laundering and terrorism financing within Kenya and in partnership with foreign financial intelligence units.
- Increased its staff complement as per the approved establishment to 35, with majority seconded from the Ministries, Departments and Agencies. The first phase of the staff recruitment has been completed with 9 staff being on boarded. The Centre is now embarking on the second phase of staff recruitment as per the approved staff compliment so as to enable it deliver on its mandate
- The Centre promoted the stability of Kenya's financial system through enhanced compliance with international standards and best practice in anti-money laundering measures in accordance with POCAMLA and anti-terrorism financing as defined within POTA.
- FRC is in the process of developing a strategic 5-year plan in line with vision 2030 and other relevant policies from the Government, to ensure compliance with international standards and best practice in anti-money laundering in accordance with section 23 (2) (c) of POCAMLA.

- The Financial Action Task Force (FATF), whose mandate is to set standards to promote the effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and the financing of proliferation and other related threats to the integrity of the international financial system, requires all countries to amongst others, identify, assess and understand the money laundering (ML) and terrorist financing (TF) risks for the country and to develop a risk-based approach (RBA) in addressing the identified ML/TF risks. Kenya needs to conduct a comprehensive money laundering and terrorist financing National Risk Assessment (NRA) in order to comply with the FATF requirements. Undertaking of the NRA is critical for the country since Kenya will be evaluated in 2021 for its compliance with the FATF standards. The Centre, as the country's Financial Intelligence Unit, will spearhead the NRA exercise.



SAITOTI KIMEREI MAIKA

DIRECTOR GENERAL/CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE STATEMENT

The Anti-Money Laundering Advisory Board (AMLAB) is established under Section 49 of the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA). The membership of the AMLAB comprises eight ex-officio members, two private sector representatives who are independent members, and Director General / Chief Executive Officer of the FRC who is also the Secretary.

The functions of the AMLAB as set out in section 50 of POCAMLA are to, on the request of the Cabinet Secretary of the National Treasury or at its own initiative, advise the Cabinet Secretary on policies, best practices and related activities to identify proceeds of crime or proceeds of unlawful activities and to combat money laundering activities; or the exercise of the powers conferred to the Cabinet Secretary under the Act. The AMLAB also advises the Centre generally on its functions and the exercise of its powers under the POCAMLA; and acts as a forum in which the Financial Reporting Centre, associations representing categories of reporting institutions, state organs and supervisory bodies can consult one another on anti-money laundering developments, concerns and initiatives. The AMLAB may also perform any other duty as may be prescribed under the POCAMLA.

During the period under review, AMLAB held four ordinary meetings and three special meetings.

COMPOSITION OF THE AMLAB

During the period under review, the AMLAB was composed as follows:

1. Mrs. Rose Nkonge

Mrs. Rose Nkonge joined the Anti-Money Laundering Advisory Board in March 2016. She is the Chairperson of the Board and a representative of the Private sector. She holds a Bachelor of Arts (Education) degree from the University of Nairobi. She is a career Banker who has worked in the banking industry with a specialty in Financial Markets, Balance Sheet Management and Audit.

2. Justice Paul Kihara Kariuki - Attorney General

Justice Paul Kihara Kariuki was appointed as the Attorney General of the Republic of Kenya on 28th March 2018. In 2012, Justice Kariuki was appointed as a Judge of the Court of Appeal and later appointed the President of the Court of Appeal. He was appointed to head the then newly established Judicial Training Institute (JTI) in 2009. In October 2003, Justice Kariuki was appointed a judge of the High Court. Between 1977 and 1980, Justice Kariuki was a legal assistant at Hamilton, Harrison, and Matthews in Nairobi and a partner from 1981 to 1986. In 1986 he moved to Ndungu Njoroge and Kwacha as a partner where he practiced until 2000, when he was appointed the Director of Kenya School of Law. He is a Law graduate of the University of Nairobi.

3. Alternate to The Attorney General: Ms. Christine Agimba

Ms. Christine Agimba is a Deputy Solicitor General at the Office of the Attorney General and Department of Justice. She is an Advocate of the High Court of Kenya, and a law graduate of the University of Nairobi, and also holds a Master's degree in law from the University of Warwick, England.

Ms. Agimba has wide-ranging professional experience gained through working in various capacities in the public and private sectors. She has practised law as an associate and then a partner at the law firm of Hamilton, Harrison and Mathews between 1989 and 2002.

4. Dr. Dr. Julius Muia – Principal Secretary / National Treasury

Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat that operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing and upper middle-income economy by 2030.

Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030. An alumnus of the University of Nairobi's School of Business, Dr. Julius Muia graduated with a First Class Honors Degree in Accounting; Master's Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and the UK. He started his career as an auditor with PricewaterhouseCoopers in mid-1980's, and later worked as Head of Finance and Company Secretary in the hotel, manufacturing and banking sector. His other engagements include an adjunct faculty at Strathmore Business School, adviser on strategy and trainer on leadership.

Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations.

5. Alternate to Principal Secretary, The National Treasury: Mr. Barrack Amollo

Mr. Amollo is a Deputy Secretary at the National Treasury and Planning. He joined the Government of Kenya in March 1982 as an Assistant Secretary and was posted to the then Ministry of Finance in the Fiscal and Monetary Affairs Department. He holds a Bachelor of Arts (Honors) Degree in Economics and Government from the University of Nairobi.

Mr. Amollo chairs the National Task Force on Anti-Money Laundering and Combating of Terrorism and also Chairs the Working Group on the implementation of the Foreign Account Tax Compliance Act (FATCA) of the U.S.A. and has actively participated in the financial and legal sector reform issues.

6. Dr. Patrick Njoroge - Governor, Central Bank of Kenya

Dr. Patrick Njoroge was appointed Governor of the Central Bank of Kenya (CBK) on June 19, 2015. He is the Chief Executive Officer of the CBK and Chairman of the Monetary Policy Committee. Dr. Njoroge joined the CBK after a 20-year career at the International Monetary Fund (IMF) in Washington, DC. Prior to his appointment as Governor,

Dr. Njoroge was an advisor to the IMF Deputy Managing Director from December 2012, where his responsibilities included assisting in overseeing the IMF's engagement with a large number of IMF members. He also served as Deputy Division Chief in the IMF's Finance Department (2006-2012), IMF's Mission Chief for the Commonwealth of Dominica (2005-2006) and in other capacities since 1995. Prior to joining the IMF, Dr. Njoroge worked as an Economist at the Ministry of Finance (1993-1994) and as a Planning Officer at the Ministry of Planning (1985-1987). He holds a PhD degree in Economics from Yale University (1993), a Master of Arts degree in Economics (1985) and a Bachelor of Arts degree in Economics (1983) from the University of Nairobi. Dr. Njoroge's professional and research interests lie in Macroeconomics, Economic Policy, International Finance, Development Economics, Econometrics and Monetary Policy.

7. Mr. Hillary Mutyambai - Inspector General, National Police Service

Hillary Mutyambai holds a Bachelor's degree from the University of Nairobi and a Master's of Arts degree in National Security Policy from the Australian National University, a vast experience on security matters. Mr. Mutyambai joined the then Directorate of Security Intelligence where he continued to rise the ranks to become the Deputy Director in charge of Counter-Terrorism in the National Intelligence Service. In his role as the Deputy Director in-charge of Countering Terrorism, Mutyambai is credited for working closely with police and military units in the fight against terrorism in the country. In addition, Hillary Nzioki Mutyambai underwent special training on counter-terrorism and advanced security in the U.S, Operational Management in the United Kingdom and Policing, Intelligence and Counter Terrorism in Israel.

8. Maj. Gen. (Rtd) Philip W. Kameru - Director General, National Intelligence Service

Maj. Gen. (Rtd) Philip W. Kameru is the Director General, National Intelligence Services. He holds a Master of Science in Security Management (UK) and Master of Science in National Resources Strategy (USA), and a Master of Science in International Relations from the University of Nairobi.

Maj-Gen Kameru has a wealth of experience in security service management and is credited with the success of Kenya's intelligence gathering in Somalia, as part of the African Mission in Somalia.

Maj-Gen Kameru has extensive leadership, operational and administrative experience that has contributed immensely to the management of Kenya's national security.

9. Ms. Muthoni Kimani - Director, Asset Recovery Agency

Ms. Kimani is the Director, Asset Recovery Agency and a Senior Deputy Solicitor General at the Office of the Attorney General and Department of Justice. Ms. Kimani holds LLB degree from the University of Nairobi and a post-graduate diploma from the Kenya School of Law having been called to the Bar in 1985.

Ms. Kimani is a member of the Chartered Institute of Arbitrators (UK), the International Bar Association and the Law Society of Kenya. She is also an active member of the IBA, Assets Recovery Sub Committee that was set up by the IBA under the Business Crimes Committee, which deals with fighting business crimes and corruption. She has attended several international workshops and conferences including OECD, UNODC, World Bank training on crime prevention and criminal justice particularly on combating terrorism, money laundering, corruption, human and wildlife trafficking, cybercrime, and other white collar crimes.

10. Mr. Joshua Oigara, CBS-Chairman, Kenya Bankers Association

Mr. Joshua Oigara, CBS, holds a Bachelor's degree from the University of Nairobi and a Master of Business Administration from Edith Cowan University.

Mr. Oigara is a member of the KCB Group Plc and KCB Bank Kenya Boards as well as the KCB Group Chief Executive Officer and Managing Director. He is the Chairman of the Energy and Regulatory Commission of Kenya, a Director of the Vision 2030 Delivery Board and was commended by H.E. President Uhuru Kenyatta on the Award of Chief of the Order of the Burning Spear, CBS, for exemplary service to the people and Nation of Kenya. He is also the Chairman, Kenya Bankers Association, the banking industry lobby.

Listed by the Financial Times as one of African's Top 25 leaders to watch based on his role in championing transformational leadership and change on the continent, Mr. Oigara actively engages at national and industry level to drive this agenda.

11. Alternate to Chairman, Kenya Bankers Association: Dr. Habil Olaka

Dr. Olaka is the Chief Executive Officer of the Kenya Bankers Association and is responsible for the strategic direction of the Association under guidance from the KBA Governing Council. Previously he was the Director of Operations of the East African Development Bank (EADB) after serving as the Resident Manager in Kenya. He earlier served the Bank's as the Head of Risk Management and as the Chief Internal Auditor. Earlier, he was at Banque Indosuez as the Internal Auditor and at Price Waterhouse Coopers, Nairobi in the Audit and Business Advisory Services Division.

Dr. Olaka serves on a number of boards representing the KBA. These include the Kenya School of Monetary Studies, the Higher Education Loans Board, the Kenya Deposit Insurance Corporation, the National Research Fund, the Federation of Kenya Employers (FKE), and the National Task Force on Anti Money Laundering and Countering Financing of Terrorism. Dr. Olaka holds a Doctorate of Business Administration from USIU-Africa, a First Class Honours

BSc degree in Electrical Engineering from the University of Nairobi, and an MBA in Finance from the Manchester Business School in the UK. He is a member of the ICPAK and the CFA Institute.

12. CPA Edwin Makori - Chief Executive Officer, Institute of Certified Public Accountants of Kenya

CPA Edwin Makori is the Chief Executive Officer, Institute of Certified Public Accountants of Kenya (ICPAK). CPA Makori holds a Master of Business Administration (Accounting and Finance) from the University of Nairobi and a Bachelor of Commerce Degree from the same institution. He is a Certified Public Accountant and a member of the Information Systems Audit and Control Association (ISACA) as well as a member of Institute of Leadership Management ILM (UK). CPA Makori, has over 14 years' corporate leadership and management experience, four of which are in the Professional Accountancy Institute. He was previously the Director of Professional Services at ICPAK, overseeing technical matters including professional standards, member services, training and development, audit quality monitoring and review. He has also worked as a finance director in a number of public and private sector organizations in Kenya and has served as a Lecturer in Finance and Accounting at the University of Nairobi and Egerton University.

13. Private Sector Representative –Miriam Wambui Gaituri

Ms. Miriam Wambui Gaituri was appointed as a member of the Anti-Money Laundering Board on 30 May 2018. Ms. Gaituri holds a Master's Degree from the University of Nairobi and a Bachelor of Law Degree from the same institution. She is an Advocate of the High Court, a qualified arbitrator, a Certified Public Accountant of Kenya, a Certified Fraud Examiner and holds an international diploma in Anti-Money Laundering from the International Compliance Association.

Ms. Gaituri is a member of the Law Society of Kenya, Institute of Certified Public Accountants of Kenya, Association of Certified Fraud Examiners, International Compliance Association and Chartered of Arbitrators.

AMLAB CHARTER:

The AMLAB has developed draft Rules of Procedure that set out the AMLAB's corporate governance policy and defines the respective roles, responsibilities, authorities, protocols, procedures, evaluation and culture of the Board and that of the Financial Reporting Centre. The Rules of Procedure are in addition to the Provisions as to the Conduct of Business and Affairs of the Board as set out in the fifth schedule of POCAMLA.

Newly appointed members are taken through an induction program to assist them in understanding the legislative framework, the governance, the nature and operations of the business of the AMLAB and the Centre.

AMLAB SUB COMMITTEES

AMLAB has a number of Sub-Committees including:

- Finance and General Purpose Committee, which provides advice on financial matters including review of the budget of the Centre, human resources, among other administrative functions, and is chaired by Ms. Miriam Gaituri.
- Audit and Risk Committee that is advices on governance framework and risk management, among other assurance functions, and is chaired by CPA Edwin Makori.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Centre recognizes the importance of being a responsible corporate citizen. It is developing a framework that will guide its corporate social responsibility (CSR). The Centre did not undertake any CSR activities in the year under review.

Financial Reporting Centre
Annual Reports and Financial Statements
For the year ended 30th June 2020

AMLAB Allowances for the Period July 2019 to June 2020

| Name | Institution | Position | Chairman's Honoraria | Board Retainer Allowance | Sitting Allowance | Total |
|-----------------------|--|-------------|----------------------|--------------------------|-------------------|---------------|
| Rose K. Nkonge | Private Sector Representative | Chairperson | - | 1,928,000.00 | 22000.00 | 1,950,000 .00 |
| Miriam Wambui | Private Sector Representative | Member | - | 884,000.00 | 106,000.00 | 990,000.00 |
| Dr. Patrick Njoroge | Governor, Central Bank of Kenya | Member | - | - | 66,000.00 | 66,000.00 |
| Ms. Muthoni Kimani | Director, Asset Recovery Agency | Member | - | - | 106,000.00 | 106,000.00 |
| CPA Edwin Makori | Chief Executive Officer, ICPAK | Member | - | - | 66,000.00 | 66,000.00 |
| Mr. Joshua Oigara | Chairman, Kenya Bankers Association | Member | - | - | - | -* |
| Mr. Hillary Mutyambai | Inspector General of Police | Member | - | - | 22,000.00 | 22,000.00 |
| Mr. Alexander Muteshi | Alternate to the Director General, National Intelligence Service | Alternate | - | - | 00 | 00 |
| Mr. Barrack Amollo | Alternate to the Principal Secretary of the National Treasury | Alternate | - | - | 106,000.00 | 106,000.00 |
| Ms. Christine Agimba | Alternate to the Attorney General | Alternate | - | - | 149,600.00 | 149,600.00 |
| Mr. Habil Olaka | Alternate to the Chairman, Kenya Bankers Association | Alternate | - | - | 84,000.00 | 84,000.00 |
| Mr. Dennis Mkuu | Representing Governor, Central Bank of Kenya | Co-opted | - | - | - | - |
| Ms. Mary Njuya | Representing the Attorney General | Co-opted | - | - | 00 | 00 |
| Boniface Mativo | | Co-opted | - | | 84,000.00 | 84,000.00 |
| Gerald Nyaoma | | Co-opted | - | | 62,000.00 | 62,000.00 |

MANAGEMENT DISCUSSION AND ANALYSIS

The Financial Reporting Centre started its operations independently in F/Y 2018/2019 as mandated by the National Government Strategic Objectives and Policies. Previously, the staff from CBK, NIS and from other Government Departments supported the Centre. The Centre registers and maintains a register of reporting institutions, receives reports on suspicious financial transactions from reporting institutions, receives cash transaction reports that meet a given threshold from reporting institutions, and receives reports on cross-border conveyancing of monetary instruments. The Centre analyses the reports and disseminates financial intelligence to law enforcement agencies.

The Centre also receives annual compliance reports from the registered institutions and works with respective industry regulators to ensure compliance by reporting institutions with the provisions of the POCAMLA. The Centre collaborates with, and exchanges intelligence relating to money laundering and terrorism financing with Financial Intelligence Units (FIUs) in other jurisdictions.

FRC complies with Section 13 of the Public Finance Management Act, 2012 and Section 83(6) of the State Corporations Act, which require the Director General to prepare financial statements in respect of that Centre, which give a true and fair view of the state of affairs of the Centre at the end of the financial year/period and the operating results of the Centre for the year/period. The Director General ensures that the Centre keeps proper accounting records that disclose with reasonable accuracy the financial position of the Centre. The Director General is also responsible for safeguarding the assets of the Centre.

The entity's overview of performance includes the following key performance indicators and observations with respect to the financial statements, profits, earnings and cash flows that may be indicative of future results:

1. Expenses vs. Budget

A budget is an estimation of revenue and expenses over a specified future period of time and is usually compiled and re-evaluated on a periodic basis. At the organization, a budget is an internal tool used by management. Comparison assisted the FRC to understand where and how some budgeted spending went off track, to budget more effectively going forward. An expense vs. Budget was a primary factor of the Budget Variance that helped the institution in its business operations and finances.

2. Operating Cash Flow

The objective of a cash projection is to be able to determine when a cash shortage or excess will occur during the year so that we know when amount required at any given time. Rather than waiting until the accounting staff realize that there is not enough cash to cover that week's checks that will be issued, a cash projection gives management the ability to anticipate this need so that we are prepared to transfer funds in a timely manner.

Monitoring and analyzing of Operating Cash Flow enabled the entity to ensure there is ability to pay for deliveries and routine operating expenses. The analysis revealed whether or not the institution's operations were generating sufficient cash for support of capital investments. The analysis also assisted the institution ratio of operating cash flow compared to institution total capital employed that gave a deeper insight into the institution's financial health, when making capital investment decisions.

3. Working capital

Working capital serves as a metric for how efficiently organization is operating and how financially stable it is in the short-term. The working capital ratio, which divides current assets by current liabilities, indicates whether a company has adequate cash flow to cover short-term debts and expenses. Cash that is immediately available was "working capital", calculated by summing up institution Working Capital by subtracting our institution existing liabilities from its existing assets, Cash on hand, accounts receivable. This informed the institution in terms of its available operating funds, by showing the extent of available assets that can cover short-term financial liabilities.

4. Current Ratio

Current Ratio measures the ability of the organization to pay all of its financial obligations in one year. This ratio accounts for current assets, such as accounts receivable, and the current liabilities, such as accounts payable, to help understand the solvency of the institution. The Working Capital above subtracts liabilities from assets, divided by the total assets gave the institution an understanding of the solvency-i.e., how well the institution was positioned to meet its financial obligations consistently on time and to maintain a level of credit rating that is required to order to grow and sustain the operations of FRC.

REPORT OF ANTI-MONEY LAUNDERING ADVISORY BOARD MEMBERS (AMLAB)

The members of the Board who served during the year are shown on Page V. In accordance with section 43 of the Proceeds of Crime and Anti-Money Laundering Act 2009 (POCAMLA), the Director General of the Centre is required to prepare financial statements for each financial year/period, which give a true and fair view of the state of affairs of the Centre as at the end of the financial year and of its operating results for that year. The Director General is also required to safeguard the assets of the Centre.

The Director General of the Centre accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the Centre's financial regulations and generally accepted accounting principles.

Principal Activities

- a) The Institution receives and analyses reports of unusual or suspicious financial transactions made by reporting institutions pursuant to Section 11 of POCAMLA and all reports made pursuant to Section 44 of the said Act, and shall make information collected by it available to investigating authorities, supervisory bodies and any other bodies relevant to facilitate the administration and enforcement of the laws of Kenya;

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For the year ended 30th June 2020***

- b) Exchange information with similar bodies in other countries regarding money laundering activities and related offences regarding illicit financial flows;
- c) Ensure compliance with international standards and best practice in anti-money laundering measures.

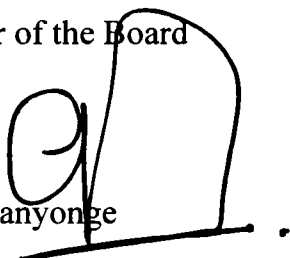
Results

The results of the entity for the financial year ended June 30, 2020 are set out on page 1-4.

Auditors

The Auditor General is responsible for the statutory audit of the *Financial Reporting Centre* in accordance with the Section 13 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



James Manyonge
Corporation Secretary

Nairobi

Date: 26th September 2020

STATEMENT OF THE AML ADVISORY BOARD MEMBER RESPONSIBILITIES

The Director General is responsible for the preparation and presentation of the *Centre's* financial statements, which give a true and fair view of the state of affairs of the *Centre* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the *Centre*; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Director General accepts responsibility for the *Centre's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Director General is of the opinion that the *Centre's* financial statements give a true and fair view of the state of the *Centre's* transactions during the financial year/period ended June 30, 2019, and of the *Centre's* financial position as at that date. The Director General further confirms the completeness of the accounting records maintained for the *Centre*, which have been relied upon in the preparation of the *Centre's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Centre's* financial statements were approved by the Director General on 24/9/20

OK

Director General/CEO

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON FINANCIAL REPORTING CENTRE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Financial Reporting Centre set out on pages 1 to 19 which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets and the statement of cash flows 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 Financial Reporting Centre as at 30 June, 2020, 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 Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Report of the Auditor-General on Financial Reporting Centre for the year ended 30 June, 2020

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to terminate the Centre or cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the Centre's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial

statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre'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 Centre to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

07 July, 2021

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

| | Note | 2019-2020 Kshs | 2018-2019 Kshs |
|---|------|--------------------|--------------------|
| Revenue from non-exchange transactions | | | |
| Internally Generated Revenue | 5 | 3,000 | 105,000 |
| Government Grants for Recurrent | 5 | 546,999,210 | 575,260,000 |
| Total revenue from non-exchange transactions | | 547,002,210 | 575,365,000 |
| Personal Emoluments | 6 | 195,344,537 | 38,166,958 |
| Board Members Expenses | 7 | 4,522,869 | 6,554,766 |
| Operative & Administrative | 8 | 86,137,337 | 103,398,056 |
| Depreciation and amortization expense | 9 | 46,660,751 | 19,229,772 |
| Repairs & Maintenance | 10 | 111,044,649 | 37,093,843 |
| Total Expenses | | 443,710,144 | 204,443,396 |
| Surplus before tax | | 103,292,065 | 370,921,604 |
| Surplus for the period | | 103,292,065 | 370,921,604 |

The notes set out on pages 5 to 19 forms an integral part of the Financial Statements.

Financial Reporting Centre
Annual Reports and Financial Statements
For the year ended 30th June 2020

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | Note | 2019-2020 Kshs | 2018-2019 Kshs |
|---|------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 11 | 495,769,703 | 493,304,061 |
| Total Current Assets | | 495,769,703 | 493,304,062 |
| Non-current assets | | | |
| Net property, plant and equipment | 12 | 86,341,589 | 26,221,485 |
| Net intangible assets | 13 | 93,879,404 | 44,997,062 |
| Total Non-Current Assets | | 180,220,993 | 71,218,547 |
| Total Assets | | 675,990,696 | 564,522,608 |
| Liabilities | | | |
| Current liabilities | | | |
| Other payables from non-exchange | | 00 | 3,662,079 |
| Non-current liabilities Provisions | | | |
| Contracted staff Gratuity | 14 | 5,962,564 | 00 |
| Staff Pension Contribution | 14 | 7,622,437.00 | 1,746,900 |
| Total liabilities | | 13,585,002 | 5,408,979 |
| Reserves | | | |
| Accumulated Reserves | | 559,113,629 | 188,192,025 |
| Reserves for the year | | 103,292,065 | 370,921,604 |
| Total Net Assets | | 662,405,694 | 559,113,629 |
| Net Assets & liabilities | | 675,990,696 | 564,522,608 |

The Financial Statements set out on pages 1 to 19 were signed on behalf of the AML Advisory Board on Date 21/9/20 by
 Director General/C.E. O (Financial Reporting Centre)

Signature.....21/9/20.....

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

| | Revenue Reserve Kshs | Capital Reserve Kshs | Total Kshs |
|---|-------------------------------------|-------------------------------------|-----------------------|
| Balance as at 1st July 2018 | 188,192,025 | 00 | 188,192,025 |
| Balance as at 30th June 2019 | 559,113,629 | 00 | 559,113,629 |
| Surplus/(deficit) for the period | 103,292,065 | 00 | 103,292,065 |
| Balance as at 30th June 2020 | 662,405,694 | 00 | 662,405,694 |

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

| | | 2019-2020 | 2018-2019 |
|--|-----------|----------------------|---------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Internally Generated Revenue | | 3,000 | 105,000 |
| Government Grants for Recurrent | | 546,999,210 | 575,260,000 |
| Total Recurrent Revenue | | 547,002,210 | 575,365,000 |
| Payments | | | |
| Personal Emoluments | | 195,344,537 | 38,166,959 |
| Board Members Expenses | | 4,522,869 | 6,554,766 |
| Operative & Administrative | | 86,137,337 | 103,398,056 |
| Repair & maintenance | | 111,044,649 | 37,093,843 |
| Net cash flows from operating activities | | 397,049,393 | 390,507,376 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | (155,663,198) | (32,246,653) |
| Net cash flows used in investing activities | | (155,663,198) | (32,246,653) |
| Cash flows from financing activities | | | |
| Other payables from Non-exchange transactions | | (3,662,079) | 3,662,079 |
| Proceeds from Employee Provisions | | 11,838,102 | 1,746,900 |
| Net cash flows used in financing activities | | 8,176,022 | 5,408,979 |
| Net increase/(decrease)in cash and cash equivalents | | 2,465,640 | 363,669,702 |
| Cash and cash equivalent as at 1st July, 2020 | 11 | 493,304,062 | 129,990,360 |
| Cash and cash equivalent as at 30th June, 2020 | 11 | 495,769,702 | 493,304,062 |

Financial Reporting Centre
Annual Reports and Financial Statements
For the year ended 30th June 2020

Statement of Comparison of Budget and Actual Amounts
For The Year Ended 30th June 2020

| | Original budget 2019-2020 Kshs | Final budget 2019-2020 Kshs | Actual on comparable 2019-2020 Kshs | Deviation Difference 2019-2020 Kshs | Deviation % 2019-2020 |
|------------------------------------|--------------------------------------|-----------------------------------|--|--|-----------------------------|
| Revenue | | | | | |
| Internally Generated Revenue | - | - | 3,000 | 3,000 | Nil |
| Government Grants for Recurrent | 1,092,659,000 | 1,092,659,000 | 546,999,210 | 545,659,790 | 50% |
| Total income | 1,092,659,000 | 1,092,659,000 | 547,002,210 | 545,656,790 | 50% |
| Expenses | | | | | |
| Personal Emoluments | 517,337,000 | 517,337,000 | 195,345,000 | 321,992,000 | 62% |
| Board Members Expenses | 17,000,000 | 17,000,000 | 4,522,000 | 12,478,000 | 73% |
| Operative & Administrative | 384,011,000 | 384,011,000 | 86,137,337 | 297,873,663 | 77% |
| Repairs & Maintenance | 174,311,000 | 174,311,000 | 111,044,649 | 63,266,351 | 36% |
| Total expenditure | 1,092,659,000 | 1,092,659,000 | 443,710,144 | 648,948,856 | 59% |
| Surplus for the period | 1,092,659,000 | 1,092,659,000 | 103,292,066 | 989,366,934 | 91% |

NOTES ON SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL

Major variances in this context refer to expenditure items which vary from the budget by more than 10%

Major variances in this context refer to expenditure items which vary from the budget by more than 10%

a) Personnel Emoluments- Kes 195 million (Budget- Kes 517 million)

- Increased its staff complement as per the approved establishment from 16 to 35 and the 517 million based on the at optimal level of 105 staff
- Employer's Contribution 15% Pension Contribution- Increased its staff complement shall result

b) Board Expenses- Kes 5 million (Budget- Kes 17million)

Monthly Directors fee was not paid as envisaged. Local travel and capacity building sub-votes are underspent as the activities planned for could not be undertaken due to the ministry of health guidelines on COVID-19 pandemic.

c) Operative & Administrative - Kes 87 million (Budget Kes 387 million)

- Moved to new premises - The Centre has relocated from the Central Bank Pension Fund Building to the new offices at UAP Old Mutual Tower in Upper Hill payment of rent for the premises occupied space 31 Million
- Stakeholder regional sensitization meetings and workshops as part of industry training-35 Million
- Staff Medical benefits scheme for in-patient and out –patient and group life cover-11 Million

d) Repair & Maintenance - Kes 118 million (Budget Kes 174 million)

- Payment on the partitioning of UAP Old Mutual Tower to contractors -109 Million
- Utilities, Service charge and Electricity –Kshs 8 Million

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Financial Reporting Centre is established by and derives its authority and accountability from Section 21 of the Proceeds of Crime and Anti-Money Laundering Act (POCAML) (No.9 of 2009). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to assist in the identification of the proceeds of crime and to combat money laundering and terrorism financing. It provides for the identification, tracing, freezing, seizure and confiscation of the proceeds of crime.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The financial statements have been prepared on the basis of historical cost, unless stated otherwise, except for the measurement at re-valued amounts of certain items of property, plant and equipment, and other impaired assets at their estimated recoverable amounts. The cash flow statement was prepared using the direct method and the financial statements were prepared on accrual basis. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and the accounting policies adopted have been consistently applied to all the years presented.

ADOPTION OF NEW AND REVISED STANDARDS

Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

| Standard | Impact |
|---|--|
| IPSAS 39: Employee Benefits amended | Applicable: 1st January 2018 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. |

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

| Standard | Effective date and impact: |
|-----------------|--|
| | Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. |

iii. Early adoption of standards

The entity did not earlier adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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). The transfer is free from conditions from other government and it is the economic benefit or service potential related to the asset that will flow to the entity, and can be measured reliably.

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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity 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.

d) Investment Property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 40-year period at a rate of 2.5% on a reducing balance method.

e) Property, Plant and Equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. 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.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly on reducing balance method as below:

| | |
|------------------------------------|--------|
| Computer & Other related Equipment | 33.33% |
| Motor Vehicles | 25.00% |
| Office Equipment | 12.50% |
| Furniture, partitions & Fitting | 12.50% |

g) Intangible Assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred amortised at 20% on reducing balance method.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and Development Costs

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) 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:

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 entity.

j) Provisions – IPSAS 19

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, and 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 Entity 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 Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent Assets

The Entity does not recognize a contingent asset, but discloses in the notes to the financial statements the 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 Entity.

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.

k) Nature and Purpose of Reserves

The Entity creates and maintains reserves in terms of specific requirements. The Entity states the reserves maintained and the appropriate policies adopted.

l) Changes in Accounting Policies and Estimates – IPSAS 3

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

m) Employee Benefits – IPSAS 25

Retirement Benefit Plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) 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.

o) Borrowing Costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation to be disclosed as events after reporting period.

r) Significant Judgments and Sources of Estimation Uncertainty – IPSAS 1

The preparation of the Entity'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.

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:

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

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance. The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

s) 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 June30, 2019. However, assets acquired from Central Bank of Kenya in a non-exchange transaction for Nil or nominal consideration shall be valued using a recognition criteria and its carrying amount shall be capitalised in FRC books of accounts.

5. Revenue from non-exchange transactions

| | 2020 | 2019 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Revenue from non-exchange transaction | 3,000 | 105,000 |
| Government Grants For recurrent | 546,999,210 | 575,260,000 |
| Total revenue from non-exchange transactions | 547,002,210 | 575,365,000 |

6. Employee costs

| | | |
|---|--------------------|-------------------|
| Salaries & wages ,Housing benefits and allowances | 185,830,007 | 36,996,218 |
| Employee related costs-contributions to pensions | 3,535,564 | 1,164,600.00 |
| Gratuities for Contract staff | 5,962,564 | 00 |
| NSSF Contributions | 16,400 | 6,140 |
| Employee costs | 195,344,537 | 38,166,958 |

7. Remuneration of Board Members

| | | |
|-----------------------------------|------------------|------------------|
| Directors Fees & Allowances | 2,924,000 | 3,789,816 |
| Directors Training & Workshops | 1,598,869 | 2,764,950 |
| Total Board's Remuneration | 4,522,869 | 6,554,766 |

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8. Operative & Administration Expenses

| | 2020 | 2019 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Medical Benefit Scheme/Insurance | 11,686,571 | 628,079 |
| Workshops, Local Courses & Seminars | 8,660,596 | 17,390,000 |
| Training Levy | 75,400 | 00 |
| Overseas Courses, Study Tours ,Seminars etc. | 12,967,133 | 16,569,378 |
| Industry Training | 971,100 | 00 |
| Travelling & Accommodation on Duty Expenses | 1,053,465 | 3,177,570 |
| Running & Maintenance of Motor Vehicles | 4,544,971 | 3,311,433 |
| Office General Supplies | 3,256,838 | 9,094,123 |
| Rent of Office Premises | 30,048,251 | 42,455,799 |
| Computer Stationery | 887,500 | 00 |
| Official Entertainment | 2,443,637 | 282,525 |
| Quarterly Reviews & Annual Reports | 600,000 | 00 |
| Office Forms & Printing Documents | 7,490 | 00 |
| Postal & Courier Services & Telephone , Facsimile-Fax, Internet etc. | 3,811,231 | 1,937,815 |
| Library, Newspaper & Periodicals | 636,272 | 450,012 |
| Books & Binding Expenses | 00 | 61,110 |
| Consultancy & Recruitment Expenses | 3,386,129 | 7,147,390 |
| Subscriptions & Contributions to Professional Institution | 242,443 | 809,367 |
| Uniform & other Protective Gear | 688,050 | 00 |
| Laundry Expenses | 2,8000 | 00 |
| Banking Expenses | 167,459 | 83,455 |
| Total Operative & Administration Expenses | 86,137,3370 | 103,398,056 |

9. Depreciation and amortization expense

| | | |
|--|-------------------|-------------------|
| Property, plant and equipment | 23,190,900 | 7,980,509 |
| Intangible assets | 23,469,851 | 11,249,266 |
| Total depreciation and amortization | 46,660,751 | 19,229,775 |

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10.Repairs and Maintenance

| | 2020 | 2019 |
|---------------------------------------|--------------------|-------------------|
| | Kshs | Kshs |
| Water conservancy and Electricity | 8,154,590 | 00 |
| Upkeep of Property & Cleaning Service | 1,620,048 | 473,050 |
| Property Renovation/Partitioning | 104,932,090 | 36,620,793 |
| Total repairs and maintenance | 111,044,649 | 37,093,843 |

11.Cash and cash equivalents

| | | |
|--|--------------------|--------------------|
| Kenya Commercial Bank | 495,769,702 | 493,304,062 |
| Total cash and cash equivalents | 495,769,702 | 493,304,062 |

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12. Property, Plant and Equipment

| Cost | Computers & other Equipment | Motor-vehicles | Furniture and Fittings | Total |
|------------------------------------|-----------------------------------|-------------------|---------------------------|--------------------|
| | Kshs | Kshs | | Kshs |
| At 1 July 2019 | 1,943,216 | 26,403,903 | 6,291,000 | 34,638,119 |
| Additions : | 11,519,740 | 34,836,400 | 36,954,865 | 83,311,005 |
| Disposals | - | - | - | - |
| Transfer/adjustments | - | - | - | - |
| At 30 June 2020 | 13,462,956 | 61,240,303 | 43,245,865 | 117,949,124 |
| Depreciation and Impairment | | | | |
| At 1 July 2018 | 647,673 | 6,600,975 | 1,167,984 | 8,416,634 |
| Depreciation Charge 2019/2020 | 4,271,333 | 13,659,831 | 5,259,735 | 23,190,900 |
| Disposals | - | - | - | - |
| Impairment | - | - | - | - |
| Transfer/adjustment | - | - | - | - |
| At 30 June 2020 | 4,919,007 | 20,260,807 | 6,427,719 | 31,607,534 |
| Net book values | | | | |
| At 30 June 2020 | 8,543,948 | 40,979,495 | 36,818,145 | 86,341,589 |
| At 30 June 2019 | 1,295,542 | 19,802,927 | 5,123,015 | 26,221,484 |

13. Intangible Assets–Software

| Cost | Kshs |
|------------------------------------|---------------------|
| As At July 1st 2019 | 70,033,524 |
| Additions–internal development | 72,352,193 |
| Transfer/adjustment | 00 |
| At 30 June 2020 | 142,385,717 |
| Amortization and impairment | |
| At 1 st July 2019 | (25,036,462) |
| Amortization 2019/2020 | (23,469,851) |
| At 30 June 2020 | (48,506,313) |
| Netbook values | |
| At 30 June 2020 | 93,879,404 |
| At 30 June 2019 | 44,997,062 |

14. NON-CURRENT PROVISIONS

| Description | Long service leave | Gratuity | Pension Contribution | Total |
|---|--------------------|------------------|----------------------|-------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Balance at the beginning of the year | 00 | 00 | 1,746,900 | 1,746,900 |
| Additional Provisions | 00 | 5,962,564 | 5,875,537 | 11,838,102 |
| Provision utilised | (00) | (00) | (00) | (00) |
| Change due to discount and time value for money | 00 | 00 | 00 | 00 |
| Less: Current portion | (00) | (00) | (00) | (00) |
| Total deferred income | 00 | 5,962,564 | 7,622,437 | 13,585,002 |

(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note 33).

15 Events after the Reporting Period

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor that were given reference no. on the external audit report.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|----------------------------|---|--|---|
| | | | | | |
| | | | | | |
| | | | | | |
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| | | | | | |

Director General/C.E.O/M. D (Financial Reporting Centre) Secretary to the Board

Date.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

There are currently no projects implemented during the period.

APPENDIX III: INTER-ENTITY TRANSFERS

| ENTITY NAME: | | FINANCAIL REPORTING CENTRE | | |
|---|-----------------------|-----------------------------------|----------------------|--|
| Break down of Transfers from the State Department of the National Treasury | | | | |
| FY 19/20 | | | | |
| | | | | |
| | | | | |
| a. | Recurrent Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| 1 | The National Treasury | 27/9/2019 | 135,215,000 | 2019/2020 |
| 2 | The National Treasury | 30/10/2019 | 135,215,000 | 2019/2020 |
| 3 | The National Treasury | 2/3/2020 | 135,215,000 | 2019/2020 |
| 4 | The National Treasury | 06/06/2020 | 141,354,210 | 2019/2020 |
| | | Total | 546,999,210 | |
| | | | | |
| b. | Development Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | | |
| | | | | |
| | | Total | | |
| | | | | |
| c. | Direct Payments | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | | |
| | | | | |
| | | Total | | |
| | | | | |
| d. | Donor Receipts | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | | |
| | | | | |
| | | Total | | |
| | | Grand Total | 546,999,210 | |