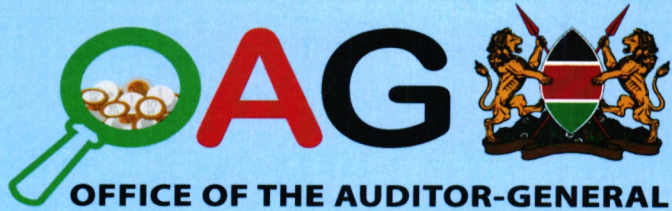


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 SEP 2020	DAY: Monday
TABLED BY: Hon. (Dr) Amos Kimani	OF LOMF
CLERK-AT THE-TABLE:	Lemire Mfisi

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THE AUDITOR-GENERAL

ON

**UNCLAIMED FINANCIAL
ASSETS AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2019**





**UNCLAIMED FINANCIAL ASSETS AUTHORITY
(UFAA)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

- 2 OCT 2019

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a Background information

The Unclaimed Financial Assets Authority (UFAA/ the "Authority") was created under the Unclaimed Financial Assets Act, No. 40 of 2011 (the "Act") to administer unclaimed financial assets.

The Board of Directors was gazetted under Legal Notice No.16272 of 9th November 2012.

b Principal activities

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

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

c Fiduciary management

The key management personnel who held office during the financial year ended 30 June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer (CEO)	FCPA Kellen Eileen Kariuki, (Upto 31 October 2018)
2.	Chief Executive Officer (CEO)	FA John K. Mwangi (Appointed 1 March 2019)
3.	Ag. Manager Unclaimed Financial Assets Line	Beatrice Chelangat
4.	Manager Information and Communication Technology	Francis Mathenge Muchina
5.	Manager Human Resource & Administration	Caroline Chepkurui Chirchir (Ag CEO Nov 2018 - Feb 2019)
6.	Manager Finance & Accounting	CPA Henry Taabu Nyegenye
7.	Manager Procurement	Dr. Jack Gumboh
8.	Corporation Secretary/Head of Legal services	James Nduna

d Fiduciary oversight arrangements

Board oversight

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

Parliamentary committees

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

e Authority headquarters and contacts

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

f Bankers

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

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

g Independent auditor

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

Delegated/Authorised Auditor:

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

h Principal legal advisor

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

Corporation Secretary/Head of Legal Services
James Nduna
Unclaimed Financial Assets Authority

Profile of Directors

i.

Board of Directors of the Authority



Mr Richard Kiplagat – Chairman of the Board of Directors

Richard is the Chief Operating Officer at Africa practice, a Pan African Strategic Communications Advisory Group. He leads Africa practice operations across the group offices in London, Dar es Salaam, Perth, Casablanca, Johannesburg, Lagos, and Nairobi. In addition, he is the Senior Stakeholder Advisor to business and government leaders particularly in the infrastructure, energy, oil and gas sectors.

Richard advises a portfolio of companies who have collectively invested in excess of US \$ 5 billion dollars in Africa and was instrumental in the initial strategy workshops that led to the formulation of the African Unions Agenda 2063.

Richard was the Head of Global Strategic Alliances at Microsoft Africa for five years and was responsible for managing Microsoft's strategic engagements with development partners and inter-governmental organisations across 47 countries in sub-Saharan Africa and the Indian Ocean islands. He was instrumental in establishing Microsoft's partnerships with The African Union (AU), African Development Bank (AfDB), United Nations Economic Commission for Africa (UNECA), Economic Community of West African States (ECOWAS), World Bank and the East African Community (EAC) among others to increase access to technology across the continent.

Before joining Microsoft, Richard was the East African Regional Manager for SAP. While at SAP he spearheaded several initiatives with governments and businesses to utilise technology to improve the competitiveness of African companies as well as increase efficiency, transparency and service delivery in the public sector.

Richard is a frequent contributor to both print and electronic media on Pan African issues and has spoken at conferences and facilitated panel discussions on a wide range of subjects. He is particularly passionate about unleashing the potential of a more integrated and collaborative continent and the need for Africa to think about its human capital in a more holistic way and increasing investment in shaping a progressive mind-set, ethics and values in addition to our existing investments in health and education. A concept he calls the "soft infrastructure" of development.

Richard has sat on the boards of several organisations including, Kenya ICT Federation where he was Vice Chair, Kenya ICT Village, Kenya ICT Board, Kenya Youth Business Trust (Chairman), Allavida and Kenya National Chamber of Commerce. He is currently the Chairman of The Warren.

Born in 1969, Richard was appointed to the Board of Directors on 25th April 2019 and subsequently elected Board Chair by the Directors on 17th May 2019.



Hon. Amb. Ukur Yatani Kanacho - Cabinet Secretary, The National Treasury, Non-Executive Director

Hon. Amb. Ukur Yatani Kanacho has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992.

In January 2018, he was appointed the Cabinet Secretary for Labour and Social Protection, a position he's serving to date. Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He has also held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

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

He was appointed acting Cabinet Secretary on 24 July 2019









Mr. Henry K. Rotich - Cabinet Secretary, The National Treasury, Non-Executive Director until 23rd July 2019


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


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

Prior to his appointment as Cabinet Secretary, he had been the Head of Macroeconomics at The National Treasury, then Ministry of Finance, since 2006 where he was involved in the formulation of macroeconomics policies aimed at achieving the Government's development priorities. Prior to joining the Ministry of Finance, Mr. Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office to work as an economist. Mr. Rotich has also been a Director on several boards of state corporations, including the Insurance Regulatory Authority, Industrial Development Bank, the Communication Commission of Kenya and Kenya National Bureau of Statistics.



	<p>Mr Rotich was a Non-Executive member of the Board as per the Unclaimed Financial Assets Act as read in line with the Cabinet secretary (incorporation) to the Treasury Act.</p>
	<p>Mr. Daniel M. Mutua</p> <p>Mr. Mutua is a Deputy Director, Investment in the National Treasury.</p> <p>He holds a Bachelor of Education (Economics/Business)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and is a Registered Certified Investment and Financial Analyst (CIFA). Mr. Mutua has undergone Intensive training in many areas such as Investment appraisal, Enterprise Risk Analysis, Corporate Governance, Performance Management, Project management, Procurement, Public Finance and holds several certificates on Public Private Partnerships from IP3 Institute, in Washington DC-USA.</p> <p>He has over 25 years Public sector experience in various Ministries including-TSC, Ministry of Labour, Office of the Vice President, Culture & National Heritage and currently in the National Treasury-Directorate of Public Investments and Portfolio management. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd, and University of Eldoret Council.</p> <p>Mr Mutua was appointed in November 2012 as an Alternate Director to the CS, National Treasury.</p>
	<p>Mr Gabriel K. Njenga – Non-Executive Director</p> <p>Mr Karanja is a founding Partner at Karanja-Njenga Advocates, a fully-fledged Corporate Commercial Law firm, established in 1993. He holds a Bachelor of Laws (LLB) from Sheffield University, Sheffield United Kingdom. He attained a Diploma in law from the Kenya School of Law in 1991 and has been an Advocate of the High Court of Kenya since 1993. He also holds a Specialized Honours Degree Bachelor of Arts (BA) in Political Science from York University, Toronto Canada. He is also a Certified Public Secretary.</p> <p>Mr Njenga was re-appointed in December 2018 as a member of the Board for a second term.</p>
	<p>Ms Jacqueline Oyuyo - Non-Executive Director</p> <p>Jacqueline is the Managing Partner of Umsizi LLP, where she practices as an Advocate, Corporate Secretary, Arbitrator and Mediator to a host of clientele.</p> <p>She holds an MBA in Global Technology Management from the American Intercontinental University and is a Fellow of the Chartered Institute of Arbitrators, a Certified and Judiciary-Accredited Mediator and an accredited Governance Auditor.</p> <p>She is committed to demystifying corporate governance in a way that makes sense for each Authority that she deals with and is adept at tackling regulatory compliance. She served on the Governing Council of the Institute of Certified Public Secretaries of Kenya (ICPSK), as well as on various Boards ranging from non-profit entities and has served in various State Corporations in the capacity of non-executive Director.</p> <p>Jacqueline was re-appointed in May 2019 as a member of the Board for a second term.</p>

	<p>Hon FCPA Thomas Ludindi Mwandeghu - Non-Executive Director</p> <p>Hon. Thomas Ludindi Mwandeghu is the immediate former Member of Parliament for Wundanyi Constituency having served for two consecutive terms. As Member of Parliament, Hon. Mwandeghu served as a Minority Chief Whip, Member of House Business Committee, Member of Public Investment Committee and Lands Committee of the National Assembly.</p> <p>Previously, Hon. Mwandeghu served at different capacities at the Central Bank of Kenya, Industrial Development Bank Limited, the Housing Finance Company, the Kenya Wildlife Services and Ocean Freight East Africa Ltd. He was a managing partner at Keah & Co. Ltd and Shulunge Auditing firms before he ventured into politics and successfully run for a parliamentary seat for Wundanyi Constituency since year 2008.</p> <p>Hon. Mwandeghu is a graduate of Commerce (Accounting) from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) since 1981.</p> <p>He was appointed as a member of the Board in September 2018.</p>
	<p>Mr. Peter Ng'ang'a Kanyua - Non-Executive Director</p> <p>Peter is an accomplished business leader in Kenya and USA markets running into insurance, security exchange, real estate, IT, security and betting. He began his career as an Investment Consultant in the commodities and derivatives market at the New York stock Exchange (NYSE), National Association of Stock Dealers Association (NASDAQ) and the Chicago Board of Exchange (CBOE).</p> <p>With 18 years-experience, Peter has held several senior positions at John Power Ltd, EBET (K) Limited, Energy Tech Africa Limited, SENACA Security Limited among others.</p> <p>Peter received his undergraduate degree from the Baruch College, City University of New York in Finance and Economics.</p> <p>He was appointed as a member of the Board in September 2018.</p>
	<p>Mr. Joseph Kigen Katwa – Chairman until October 2018</p> <p>Katwa is a founding Partner at Kigen & Kemboy Advocates. He is also a Certified Public Secretary and Commissioner for Oaths.</p> <p>He is a graduate of the University of Nairobi with a Bachelor of Laws LL.B (Hons.) and Masters (LLM) degree. He was admitted to the Bar as an Advocate of the High Court of Kenya in 1996 and has been in continuous practice since then.</p> <p>Katwa commenced his legal practice with the firm of Nyairo & Company Advocates before moving on to the firm of Kibet & Company Advocates and later Ochieng, Onyango, Kibet & Ohaga Advocates. He has over the years handled various commercial transactions for leading commercial banks, manufacturing and general business companies & Co-operative Societies. He has handled Conveyancing, Commercial Work, Bank Security Documentation, Debt Recovery, Civil Litigation & Appeals, Arbitration, Corporate Governance, Succession, Divorce, Land Law and Criminal Defense.</p>

	<p>Katwa was appointed as a Board member in October 2015, and thereafter, in accordance with the Unclaimed Financial Assets Act, elected by the Directors as the Chairman of the Board.</p>
	<p>Dr Parmain ole Narikae – Non-Executive Director until Oct 2018</p> <p>Dr Parmain ole Narikae is currently the Chief Executive Officer of the Kenya Industrial Estates.</p> <p>He has a career spanning over 20 years in the Banking Sector having previously served in various capacities in the Co-op Bank Group of Companies and Chase Bank where he served as the Director External and Regulatory Affairs, with roles that included administrative co-ordination of the various functions towards the realization of Bank's objectives as well as the development of capabilities of personnel in the Bank. In addition, he was the Chairman of the Chase Group Foundation.</p> <p>He holds a PhD in Strategic Management from United States International University, a Masters' in Business Administration and is a graduate of the European Institute of Business Administration (INSEAD).</p> <p>Dr Narikae was appointed to the Board in October 2015.</p>
	<p>Ngeny Biwott - Non-Executive Director until April 2019</p> <p>Born in 1952, Mr Ngeny Biwott is a licenced pilot with over 39 years' experience spanning the aviation, manufacturing, construction and banking sectors. He has previously served in senior positions as a System Safety, Quality and International compliance practitioner in airline industry. He has served as a Commissioner at a State Corporation, a Board Director of KCB Group Plc, Board Director of KCB Bank Tanzania Ltd and Group Chairman KCB Group Plc.</p> <p>He holds MSc Degree in Civil Emergency and Crisis Management from University of Hertfordshire. In addition, he holds specialised certification in aerospace Risk and Strategy from Cranfield University, the University of Southern California and Langley NASA Research Centre College. He is a Lead Auditor ISO 900-2008 and a lead Quality and Environmental Auditor. He is alumni of IMD business school.</p> <p>Born in 1952, Mr Ngeny was appointed to the Board on December 19, 2018.</p>
	<p>FCPA Kellen Eileen Kariuki, MBS – CEO Until October 2018</p> <p>Kellen was appointed as CEO of the Unclaimed Financial Assets Authority in February 2015. She has a degree in Accounting and MBA in Strategic Management from United States International University and an MSc in International Human Resource Management from Cranfield University in the UK.</p> <p>Kellen served the Citibank N.A for 23 years, where she held several positions of senior leadership in the Bank. She has held numerous Board positions such as the Chairperson of Citibank Tanzania Limited, Director AMREF International, Director Resolution Insurance Limited, Director in Citibank Uganda Limited, Chair of the Citibank Kenya Provident Fund, Director of Cititrust (Kenya) Limited, and Director Kenya Roads Board (KRB). She is a founding member of the Board of Advisors of the Strathmore Business School; and has served as an elected council member of ICPAK.</p>

	<p>She is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPAK) and was recognized by the Kenya Institute of Management as the "Professional Manager of the Year" during the Company of the Year Awards in 2003.</p>
	<p>FA John K. Mwangi- CEO & Managing Trustee</p> <p>Mr. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund.</p> <p>Prior to his appointment as CEO and Managing Trustee, Mr. Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA, a position he held for four years.</p> <p>Mr. Mwangi has had a successful career in several financial institutions within investment and a commercial banking. He has over 16 years' experience having worked with leading Fund Managers, Investments and Commercial banking Industry in Kenya as a Relationship Manager. He joined the Authority in April 2015 from Bank of Africa (BOA) where he was a Relationship Manager in institutional banking. Prior to joining BOA, Mr. Mwangi also worked at African Alliance Investment Bank, Old Mutual Asset Managers and ICEA Asset Managers.</p> <p>Mr. Mwangi is a Certified Investment and Financial Analyst and Member of the Institute of Certified Investment and Financial Analysts (ICIFA). He is also a member of Kenya Institute of Management (KIM). He holds an Executive MBA from Strathmore Business School, and underwent a Modular course on Corporate Entrepreneurship and Global Strategy at IESE Business School, University of Navarra in Barcelona. Mr. Mwangi is a Certified Trustee by RBA in conjunction with College of Insurance and His undergraduate is in Economics and Business Studies from the University of Nairobi.</p> <p>Born in 1977, Mr Mwangi was appointed as the CEO & Managing Trustee on 1 March 2019.</p>

Management team

Name	Designation
<p>FA John K. Mwangi</p> 	<p>Chief Executive Officer & Managing Trustee</p> <p>Mr John K. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund.</p> <p>Prior to his appointment as CEO and Managing Trustee, Mr. John Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA since April 2015.</p> <p>Mr Mwangi was appointed as the CEO & Managing Trustee with effect from 1st March 2019.</p>
<p>Mrs Caroline C. Chirchir</p> 	<p>Manager Human Resource & Administration</p> <p>Caroline is responsible for the facilitation, co-ordination and implementation of human resource and administration policies, strategies and systems and provision of a conducive working environment for the Authority.</p> <p>Caroline also acted as CEO of UFAA following appointment on 1st November 2018 until 28th February 2019.</p> <p>She joined the Authority in October 2016 following a successful career in Human resource management and consultancy at many institutions in the manufacturing and financial services sector.</p>
<p>Mr James M. Nduna</p> 	<p>Corporation Secretary & Head of Legal Services</p> <p>James is responsible for Board affairs and ensuring compliance with the constitution, statutory legal requirements and establish legal risk management procedures to prevent and mitigate against legal risk and fulfilment of contractual obligations as well as advice on all corporate governance requirements.</p> <p>James joined the Authority in November 2017 following a long career in public service in various capacities, in the national government, judiciary, and county government and as a Chief State Counsel at the AG's office.</p>
<p>Mr Francis M. Muchina</p> 	<p>Manager, ICT</p> <p>Francis is responsible for management of the Unclaimed Assets database and planning, developing, coordinating and ensuring delivery of the Authority's ICT needs.</p> <p>Francis joined the Authority in April 2015 following distinguished service in many public sector institutions including the National Treasury and Kenya Forestry Research Institute (KEFRI).</p>

Name	Designation
<p>CPA Pius K. Kimutai</p> 	<p>Manager Audit, Risk& Assurance</p> <p>Pius is responsible for ensuring the effective operation of the internal audit function. The role is also responsible for ensuring that UFAA has a Risk Management Strategy in place with appropriate systems to identify and mitigate identified risks.</p> <p>Pius joined the Authority in August 2015, following long service in academia in various schools and in different capacities in Accounting and Audit at Postbank.</p>
<p>Jack O. Gumboh, PhD</p> 	<p>Manager Procurement</p> <p>Jack is responsible for procurement and supply function and overseeing aspects of purchasing, negotiations and management of the procurement of goods, works and services in line with the law.</p> <p>Jack joined the Authority in January 2018 after long service in various capacities in Supply Chain management in many public and private sector institutions.</p>
<p>Beatrice Chelangat</p> 	<p>Acting Manager Unclaimed Financial Assets Line</p> <p>Beatrice is responsible for overall management of the Unclaimed Financial Assets Trust Fund, including overseeing compliance by holders, investment of received funds and re-unification to the rightful owners.</p> <p>Beatrice joined the Authority in September 2015 after long service in financial management at various institutions including EACC. She was appointed as Ag Manager UFAL in March 2019.</p>
<p>CPA Henry T. Nyegenye</p> 	<p>Manager Finance& Accounting</p> <p>Henry is responsible for managing the Authority's financial operations and ensuring that there is efficient utilization of financial resources within established policies of the Authority. He is also responsible for financial accounting and reporting, cash and bank operations and tax management.</p> <p>Henry joined the Authority in July 2015 following long service in risk management& audit, investment management, financial analysis, treasury management and budget management in public sector institutions in the energy, health and infrastructure sector.</p>

Chairman's statement

I joined the Authority as Chairman of the Board on May 3, 2019 at a time the Authority had made commendable progress within the year under review.

In the few months that have passed, I have witnessed first-hand, the growth of UFAA into an established actor in the financial service sector landscape. This transformation is anchored on a number of milestones.

Firstly, the Authority is operating under a very robust Strategic Plan 2018-2023 which is customer centric. Our priority areas namely enhancing holders' compliance to ensure receipt of Ksh.75 billion of unclaimed financial assets by year 2023; reunification of all valid claims to the rightful owners; and safeguard surrendered assets in the Trust Fund, manifest this commitment. The Authority's five-year blue print will demonstrate our contribution in helping realize envisaged Vision 2030 Third Medium Term goals and the country's Big Four Agenda.

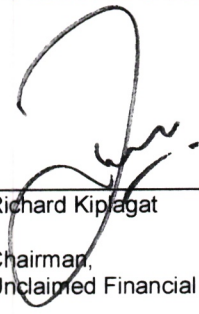
Secondly, the importance of education and awareness on the unclaimed financial assets as an ingredient in the delivery of our mandate cannot be gainsaid. Stakeholders awareness, both holders and owners/ beneficiaries that have been rolled out to-date have given us necessary impetus.

Thirdly, I am pleased to report that our parent ministry The National Treasury is steering the development of a national policy on unclaimed financial assets to institutionalize the regime and provide a framework of ownership by all stakeholders and beneficiaries. One of the emerging issue is the need to recalibrate existing legislation to be in tandem with the proposed Policy. Consequently, proposed legislative amendments to the Unclaimed Financial Assets Act, 2011 has been mooted.

The Authority has made great strides in strengthening and modernizing institutional capacity and service delivery through stakeholder partnerships. We are elated that our partner institutions are contributing to the delivery of our mandate. Some of the institutions include Insurance Regulatory Authority (IRA), Retirements Benefits Authority (RBA), Institute of Certified Public Accountants (ICPAK), and Association of Retirements Benefits Scheme (ARBS) among others.

During the year, the immediate former Chairman Mr. Katwa Kigen, Non-Executive Director Mr. Parmain Ole Narikae and pioneer Chief Executive Officer left service of the Authority. I commend them for their exemplary service to the country in setting up the growth momentum of the unclaimed financial assets regime. I also register my congratulations to the new Chief Executive Officer, Mr John Mwangi who assumed office from 1st March 2019.

I close by acknowledging the tremendous task that lies before us as members of the Board. Further, I appreciate the significant trust that has bestowed on me by the Country's leadership, as Chairman of the Board and to us all, as members of the Board of the Authority.



Richard Kiplagat

Chairman,
Unclaimed Financial Assets Authority

Date: 30/09/2019

Report of the Chief Executive Officer

The year under review has seen significant milestones in the delivery of our mission: *'To Receive, Safeguard and Reunite Unclaimed Assets for Sustainable and Shared Social and Economic Prosperity'*. At the onset, we began the second phase of growth cycle by launching a new Strategic Plan 2018-2023. The first strategy plan cycle 2015-2018 was successfully retired. The new Plan provides a comprehensive road map for the efficient and effective management of unclaimed financial assets in the country.

Our twin efforts on compliance and reunification have yielded significant progress. During the year under review, the Authority scaled efforts - on one hand - to ensure compliance by the holders of unclaimed financial assets through issuance of surrender notices to all holders, began inspection of holder's books on reporting and instituting the necessary structures, systems and procedures to guide the process. These efforts yielded a growth of the fund to the current value of Kshs 13.32 billion in cash, 539.77 million of share units from various counters and 1,489 safe deposit boxes reported to the Fund. On the other hand, our reunification efforts have seen more and more people coming through the door seeking their 'lost' money back.

These twin responsibilities have been equally matched by leveraging stakeholders' engagements throughout the value chain. Notably, we undertook a major public awareness campaign dubbed 'reunification drive' in the counties of Taita Taveta, Kwale and Mombasa at the Coastal region. Additionally, the Authority has engaged different stakeholders ranging from the banking, pension, insurance and accounting sectors on a number of existing and emerging issues within the unclaimed financial assets regime. Going forward, it is expected that education and awareness initiatives will be enhanced to deepen compliance by holders and reunification with rightful owners.

We have been encouraged by the level of stakeholders' engagement during the process of reviewing the comprehensive national policy that is in progress. During this process, which is guided by The National Treasury, stakeholders have given useful insights whilst identifying the gaps and opportunities available. This process will ultimately yield a robust framework to deepen the regime in the country.

Over the same period, the Authority conducted a Baseline Survey on Unclaimed Financial Assets to establish an accurate and complete information on the size and holding of unclaimed financial assets in the country. Arising from the survey, we have now established the nature of unclaimed assets, number of holding institutions and the estimated value in the market. This report will play a major role in our reunification and compliance efforts.

I am happy to note all these, and more, milestones being made has been precipitated by able leadership of the Board who have continued to show commitment in making sure the Authority is a major player in the financial service sector.

In May 2019, Mr. Richard Kiplagat became the new Chairman of the Board, replacing Mr. Katwa Kigen who, hitherto, served as a Chairman and Non-Executive Director. I am pleased to report that the transition was smooth and that the new chairman and the Board, have embarked on implementing the Strategic Plan 2018-23.

I wish to thank the entire board for the confidence that they have shown in appointing me as CEO of the Authority and Managing Trustee of the Fund. To the management and staff, my acknowledgement goes to the continued effort and commitment in making sure our core mandate is fulfilled.

FA John K. Mwangi
CEO/Managing Trustee

Date... 30/09/2019

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

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

The Board Charter

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

The Board of Directors

As per the Unclaimed Financial Assets Act 2011, the Board consists of six (6) non-executive members and the Chief Executive Officer. For the year ended 30th June 2019, the following served as members of the Board of Directors:

Name	Position	From	To
Katwa Kigen	Chair	October 2015	October 2018
Richard Kiplagat	Chair	April 2019	June 2019
Dr. Parmain ole Narikae	Member	October 2015	October 2018
Daniel Mutua	Member	October 2015	June 2019
Gabriel Njenga	Member	October 2015	October 2018
Jacqueline Oyuyo	Member	December 2018	June 2019
		May 2016	May 2019
		May 2019	June 2019
Ngengy Biwott	Member	December 2018	April 2019
Hon. FCPA Thomas Mwadeghu	Member	September 2018	June 2019
Peter Kanyua	Member	September 2018	June 2019
FCPA Kellen Kariuki	CEO	February 2015	October 2018
FA John Mwangi	CEO	March 2019	June 2019

Board Responsibilities

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

The Board takes the primary responsibility of determining the Authority's vision, mission and values; deciding the Authority's strategic objectives and key elements of governance processes underpinning

operations of the Authority. It retains full and effective control over the Authority by monitoring Management in its implementation of plans and strategies, review of management accounts, and major capital investments and expenditure. The Board strives to act beyond the minimum requirements and benchmarks the Authority's performance against international best practice.

UFAA BOARD MEETINGS ATTENDANCE FROM 1 JULY 2018 TO 30 JUNE 2019

Full and Special Board meetings attendance

Name	Meetings	Attended	Absent
Katwa Kigen	12	10	2
Richard Kiplagat	1	1	0
Dr. Parmain Ole Narikae	12	11	1
Daniel Mutua	20	17	3
Gabriel Njenga	19	17	2
Jacqueline Oyuyo	20	18	2
Ngengy Biwott	6	5	1
Hon. Thomas Mwacheghu	12	12	0
Peter Kanyua	12	12	0

Board Committees

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

Finance and Human Resource Committee

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

The members during the year were:

Name	Position	From	To
Dr. Parmain ole Narikae	Chair	1 July 2018	2 October 2018
Daniel Mutua	Member	1 July 2018	30 June 2019
Gabriel Njenga	Member	1 July 2018	2 October 2018
		19 December 2018	30 June 2019
Jacqueline Oyuyo	Member	1 July 2018	30 May 2019
		30 May 2019	30 June 2019
John Kisegu	Rep. of Inspector General	1 July 2018	30 June 2019
Ngengy Biwott	Member	19 December 2018	26 April 2019
Hon. Thomas Mwacheghu	Chair	20 September 2018	30 June 2019
Peter Kanyua	Member	20 September 2018	30 June 2019
FCPA Kellen Kariuki	CEO	1 July 2018	31 October 2018
FA John Mwangi	CEO	1 March 2019	30 June 2019

Audit and Risk Committee

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

Name	Position	From	To
Jacqueline Oyuyo	Chair	1 July 2018 30 May 2019	30 May 2019 30 June 2019
Daniel Mutua	Member	1 July 2018	30 June 2019
Gabriel Njenga	Member	1 July 2018 19 December 2018	2 October 2018 30 June 2019
Dr. Parmain ole Narikae	Member	1 July 2018	2 October 2018
John Kisegu	Representative of Inspector General	1 July 2018	30 June 2019
Ngeny Biwott	Member	19 December 2018	26 April 2019
Hon. Thomas Mwacheghu	Member	20 September 2018	30 June 2019
Peter Kanyua	Member	20 September 2018	30 June 2019

Technical and Investment Committee

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

Name	Position	From	To
Gabriel Njenga	Chair	1 July 2018	2 October 2018
	Member	19 December 2018	30 June 2019
Daniel Mutua	Member	1 July 2018	30 June 2019
Dr. Parmain ole Narikae	Member	1 July 2018	2 October 2018
Jacqueline Oyuyo	Member	1 July 2018 30 May 2019	30 May 2019 30 June 2019
John Kisegu	Representative of Inspector General	1 July 2018	30 June 2019
Ngeny Biwott	Member	19 December 2018	26 April 2019
Hon. Thomas Mwacheghu	Member	20 September 2018	30 June 2019
Peter Kanyua	Chair	20 September 2018	30 June 2019
FCPA Kellen Kariuki	CEO	1 July 2018	31 October 2018
FA John Mwangi	CEO	1 March 2019	30 June 2019

Management discussion and analysis

Operational and financial performance

The Authority had a budget of Kshs 722.97 million in Financial Year 2018/19 out of which 88% was utilized or committed as at 30th June 2019. This is a growth in absorption from 86% that was achieved in FY 2017/18.

Funding of the Budget was by carry forward of Kshs 157.63 Million; Exchequer grants of Kshs 207.78 million were allocated out of which Kshs 195.28 million had been received with the balance Kshs 12.50M coming in July 2019. Approval to utilize Kshs 354.68 Million was obtained from CS National Treasury to utilize Trust Fund income for financing of the Authority's costs, in line with the UFA Act. Further, the Authority budgeted to realize Kshs 2.90 Million from internal sources, out of which 5.4 Million was realized.

Key projects and investment decisions the Authority is planning/implementing

Following approval by the National Treasury, the Authority implemented the staff Car and House Mortgage scheme, and remitted Kshs 160 Million to HF Bank who are the scheme administrators. A further Kshs 12.95 Million had been committed for release as at the end of the Financial Year bringing the total allocated funds to Kshs 172.95 Million out of the Kshs 200 Million approved for the scheme.

Major Risks facing the Organization

The major risk facing the organization is lean staffing even in key operational areas. This seriously hampers operational effectiveness. Efforts to address this have been through outsourcing of services like Compliance Audit, Internal Audit, and Information Security Management among others. While this helps in managing capacity issues, it also introduces third party risks to the Authority.

To manage this risk therefore, the Authority undertook a comprehensive review of its organizational structure and forwarded this for approval by relevant government agencies.

Compliance with statutory requirements

The Authority has continued to comply with statutory requirements in its procurement processes, remittance of taxes, and general financial and operational management. With regard to Procurement, the Authority attained 22% in procurements to the Access to Government Procurement Opportunities (AGPO) group.

Material arrears in statutory/financial obligations

There were no material arrears in financial obligations. Given the Authority operates on an accrual basis, all the Kshs 154.10 million which is shown as accrued and that includes gratuity funds set aside for staff on contract, is adequately covered by budgetary commitment. Therefore, the obligations will be settled as and when activities relating to them are finalized.

Corporate Social Responsibility Statement/Sustainability Reporting

UFAA is committed to the establishment and maintenance of environmental, education, safety, and occupational health programmes that are designed to protect the environment, support capacity building and health of staff, our customers and the community. UFAA strives to operate in this manner, not only to comply with laws and regulations, but also to demonstrate responsible environmental stewardship and maintain a positive relationship with the community of stakeholders. During the year under review the following programs were undertaken:

i. Ng'ong Forest Adoption and Rehabilitation

The Authority partnered with the Kenya Forest Service to rehabilitate 2.5 hectares of degraded forest sites within Ngong Road Forest Reserve. The initiative involved donation of tree seedlings, tree planting and maintenance. It is expected that the rehabilitated sites will be sustained for a period of the next three (3) years. The Authority envisages to continuously embed forest conservation theme within its publicity campaigns.

ii. Partnership with State Department of Gender on International Widows' Day

The Authority supported in hosting International Widows' Day 2019 and in providing widows with information relating to unclaimed financial assets. Through this partnership, the State Department of Gender and the Authority hopes to reunify widows with assets belonging to their deceased husbands that have been reported as unclaimed financial assets. It is estimated that some sizeable unclaimed financial assets would benefit widows and their household upon reunification.

iii. Partnership with Come Together Widows and Orphans (CTWO)

The Authority supported Come Together Widows and Orphans (CTWO) organisation to mobilise widows' leaders for an awareness session in Meru. The forum provided an opportunity for widows to explore suitable mechanisms in reunification of unclaimed financial assets being held by the Authority. A total of 215 widows' leaders from the upper eastern region attended the forum.

Directors' report

The Directors submit their report together with the audited financial statements for the year ended 30 June 2019 which show the state of affairs of the Unclaimed Financial Assets Authority (UFAA / the "Authority").

Principal activities

The principal activities of the entity are to receive, safeguard and re-unite unclaimed assets with the rightful owners or beneficiaries. In addition, the activities entail advising the cabinet Secretary National Treasury on the National Policy to be followed with regard to unclaimed assets and to implement all government policies relating to it

Results

The results of the entity for the year ended June 30, 2019 are set out on page 22.

Directors

The members of the Board of Directors who served during the year are shown on page 3-8. During the year terms of five directors came to an end (three directors on 2nd October 2018, one on 31st October 2018 and one on 30th May 2019). From the above, terms of 2 directors were renewed, with one on 19th December 2018 and the other on 30th May 2019. The Authority got two new members of the Board who were appointed with effect from 20th September 2018. The Authority's new Chairman of the Board of Directors was appointed on 25th April 2019.

Surplus remission

The entity following discussions and concurrence of the National Treasury Budget review team, will utilize the amounts carried forward from FY 2018/19 for budgetary commitments for FY 2019/20 hence no surplus will be remitted to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of Unclaimed Financial Assets Authority. In accordance with Sections 23 of the Public Audit Act, 2015 which empowers the Auditor General to outsource other auditors to carry out the audit on his behalf, PricewaterhouseCoopers CPA (PwC) were appointed as the auditors of Unclaimed Financial Assets Authority to conduct the statutory audit for the year ended 30 June 2019.

By Order of the Board



Mr James Nduna
Corporation Secretary

Date: 30/09/2019.....

Statement of directors' responsibilities

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

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

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


Having made an assessment of the Authority's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Authority's ability to continue as a going concern.

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

The Authority's financial statements were approved by the Board on 30/09/ 2019 and signed on its behalf by:



FA John Mwangi
Chief Executive Officer



Richard Kiplagat
Chairman, Board of Directors



REPORT OF THE INDEPENDENT AUDITOR TO THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UNCLAIMED FINANCIAL ASSETS AUTHORITY

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Unclaimed Financial Assets Authority (the "Authority") set out on pages 22 to 46 which comprise the statement of financial position at 30 June 2019 and the statements of financial performance, changes in net reserves, cash flows and comparison of budget and actual cash amounts for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Authority at 30 June 2019, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards and in the manner required by Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards and in the manner required by the Section 46 of the Unclaimed Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act, and for such internal control as the Directors determine 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, the Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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REPORT OF THE INDEPENDENT AUDITOR TO THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UNCLAIMED FINANCIAL ASSETS AUTHORITY (CONTINUED)

Auditor's responsibility for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

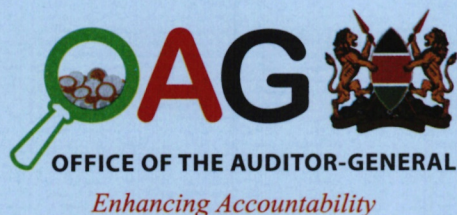
**Certified Public Accountants
Nairobi**

1 October 2019

**CPA Stephen Ochieng' Norbert's – Practising Number P/1819
Signing Partner responsible for the independent audit**

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Unclaimed Financial Assets Authority set out on pages 22 to 46 which comprise the statement of financial position as at 30 June, 2019, and statement of financial performance, statement of changes in net reserves, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the result of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit have been obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Unclaimed Financial Assets Authority as at 30 June, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Unclaimed Financial Assets Act No. 40 of 2011.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Unclaimed Financial Assets Authority in accordance with ISSAI 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 to report in the year under review.

Other Matter

Low Rate of Unclaimed Assets Reunification

The Authority commenced receiving unclaimed financial assets from holders in 2014 and reuniting the unclaimed financial assets process with beneficiaries in 2016. Although, there has been improvement of the reunification rate of assets with the beneficiaries over the last three (3) years, the rate is significantly slow standing at 1.5% of receipts as of 30 June, 2019. Management attributed the slow pace to the Unclaimed Financial Assets (UFA) Regulations, 2016 which do not support the reunifications. Management have submitted a proposal to the National Treasury for its amendment.

In the circumstances, the Authority is not meeting its mandate of tracing unclaimed assets from holders and reunifying the assets with the beneficiaries.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with Financial Reporting Procedures

Section 8(1) of the Proceeds of Crime and Anti- Money Laundering Regulations, 2013 requires that any monetary instruments in excess of USD 10,000 or equivalent be declared. Contrary to the provisions, the Authority paid claims in excess of the threshold during the year, without making the requisite declaration.

The Authority was in breach of the Regulations.

2. Optimization of Enterprise Resource Planning (ERP) System

The Authority invested in an ERP solution in 2017 capable of integrating financial with non-finance functions for efficiency and effectiveness. The system if well used gives entities greater control of financials and simplifies the supply chain and finance operations. It was, however noted that accounts receivable provisions, accruals, Property, Plant and Equipment (PPE) and reserves were recorded outside the system.

Further, the financial reporting process is largely manual as the system only keeps a section of the records with the other records required to complete financial reporting being off the system.

In addition, although the system has capabilities of advanced record matching, simple bank integration that allows bank statements to be imported to the ERP or exported to electronic payment files, the interface capabilities with other systems such procurement module, financial metrics were not implemented.

The Authority, therefore, did not realise value for money arising from the intended use of the ERP system.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Inadequate Monitoring of Super User Activities

The Authority's Information Security Policy requires monitoring and logging of user activity in the system to ensure information confidentiality and integrity is upheld. However, from the audit of the system, there was no evidence of review of activities of privileged users' activities on key applications, databases and supporting operating systems. Additionally, it was noted that key ERP is not configured with security parameters to capture activity dates which are necessary for audit trail review.

There is increased risk that unauthorized or malicious activities performed in the applications and databases may not be detected in a timely manner.

2. Failure to Certify Death Certificates before Payment of Claims

During the year under review, instances were noted where claims were paid without certified death certificates by the registrar of persons and deaths as required in the claims policy. Below are some of the instances noted: -

File Reference Number	Amount (Kshs.)	Inconsistency
EABL/159	1,524,203	Death certificate was not certified
EABL/48B	130,056	Death certificate was not certified
BBK/346	1,454,537	Death certificate was not certified

There is risk of financial loss being incurred if invalid claims were to be processed.

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 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 governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Authority 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 financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the entity 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 Authority's 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

31 August, 2020

Statement of Financial Performance

	Notes	Year ended 30 June	
		2019 Shs '000	2018 Shs '000
Revenue from non-exchange transactions			
Government grants - recurrent		157,780	170,000
Government grants – capital funding		50,000	37,500
Transfer from Trust Fund	4	354,676	210,000
Revenue from exchange transactions			
Finance income	5	2,567	4,954
Other income	6	2,925	-
Total revenue		567,948	422,454
Operating expenses			
Staff costs	7	133,519	137,316
Board expenses	8	18,776	12,504
Administrative expenses	9	266,603	195,196
Depreciation	13	23,292	26,002
Total operating expenses		442,190	371,018
Surplus for the year		125,758	51,436

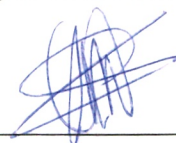
The notes on pages 27 to 46 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 30 June	
		2019 Shs '000	2018 Shs '000
ASSETS			
Current assets			
Cash and cash equivalents	10	126,645	92,556
Receivables and prepayments	11	284,798	316,797
Inventories	12	1,606	1,148
		413,049	410,501
Non-current assets			
Motor vehicles and equipment	13	41,045	54,867
Staff house and car loan scheme	14	160,000	-
		201,045	54,867
Total assets		614,094	465,368
Current liabilities			
Payables, accruals and provisions	15	154,104	131,136
Net reserves		459,990	334,232
Total net reserves and liabilities		614,094	465,368

The notes on pages 27 to 46 are an integral part of these financial statements.

The financial statements on pages 22 to 46 were approved for issue by the Board of Directors and signed on its behalf by:




FA John Mwangi
 Chief Executive Officer

Date: 30/09/2019



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

Date: 30/09/2019



Richard Kiplagat
 Chairman of the Board

Date: 30/09/2019

Statement of Changes in Net Reserves

	Year ended 30 June	
	2019	2018
	Shs '000	Shs '000
Accumulated surplus		
At start of the year	334,232	282,796
Surplus for the year	125,758	51,436
	<hr/>	<hr/>
At end of the year	459,990	334,232
	<hr/>	<hr/>

The notes on pages 27 to 46 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 30 June 2019 Shs'000	Year ended 30 June 2018 Shs'000
Cash flows from operating activities			
Surplus		125,758	51,436
Adjustment for:			
Depreciation	13	23,292	26,002
Operating surplus before changes in working capital		149,050	77,438
Increase in receivables and prepayments		(128,001)	(160,100)
(Increase)/decrease in inventories		(458)	977
Increase in payables, accruals and provisions		22,968	55,253
Net cash from operating activities		43,559	(26,432)
Purchase of equipment	13	(9,470)	(8,165)
Net cash used in investing activities		(9,470)	(8,165)
Increase in cash and cash equivalents		34,089	(34,597)
Cash and cash equivalents at start of year		92,556	127,153
Cash and cash equivalents at end of year	10	126,645	92,556

The notes on pages 27 to 46 are an integral part of these financial statements.

Statement of Comparison of Budget and Actual Cash Amounts

Item	Approved budget 2018-19 Shs '000	Adjustments Shs '000	Final budget FY 2018-19 Shs '000	Actual FY 2018-19 Shs '000	Performance difference FY 2018-19 Shs '000
Revenue					
Government grants	211,000	(3,220)	207,780	207,780	-
Carry forward from 2017/2018	157,634	-	157,634	157,634	-
Finance income	2,884	-	2,884	2,567	317
Trust fund income	354,676	-	354,676	354,676	-
Total income	726,194	(3,220)	722,974	722,657	317
Expenses					
Compensation of employees	152,050	-	152,050	133,519	18,531
Goods and services	323,090	(2,280)	320,810	264,321	56,489
Rent paid	29,500	(8,440)	21,060	21,058	2
Capital expenditure	221,554	7,500	229,054	110,000	119,054
Total expenditure	726,194	(3,220)	722,974	528,898	194,076
Surplus for the period	-	-	-	193,759	(193,759)

A reconciliation of the budget analysis and the financial statements is presented under note 19.

The notes on pages 27 to 46 are an integral part of these financial statements.

Notes

1 Statement of compliance and basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Authority

IPSAS 39 'Employee Benefits'. This has replaced IPSAS 25, Employee Benefits, on January 1, 2018, with earlier adoption encouraged.

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

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

The change listed above is not applicable because the Authority has a defined contribution scheme for its employees.

(ii) New standards and interpretations not yet adopted

IPSAS 40 'Public Sector Combinations'. This recognizes two types of public sector combinations: amalgamations and acquisitions. By contrast, International Financial Reporting Standards, used by private sector entities, treat all combinations as acquisitions, which requires obtaining fair value information. Amalgamations, which are much more common in the public sector, do not require this information.

The accounting requirements for amalgamations in IPSAS 40 are based on existing information, which enables public sector entities to avoid unnecessary valuation costs, while still meeting users' needs. IPSAS 40 applies from January 1, 2019, with earlier adoption encouraged.

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

Notes (Continued)

Changes in accounting policy and disclosures (continued)

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

IPSAS 42 Social Benefits provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. The standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 establishes principles and requirements for:

- Recognising expenses and liabilities for social benefits;
- Measuring expenses and liabilities for social benefits;
- Presenting information about social benefits in the financial statements; and
- Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity.

The effective date for IPSAS 42 is for periods beginning on or after January 1, 2022.

These new standards that are not yet effective for the Authority are not expected to have any material impact on the financial statements of the Authority.

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

Notes (continued)

2 Summary of significant accounting policies

(a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

Transfer from Trust Fund

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

ii) Revenue from exchange transactions

Interest income

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

Other income

Other income relates to audit fees recovered from audited holders who had undisclosed unclaimed financial assets. The income is recognised on receipt.

(b) Budget information

The annual budget is prepared on cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the cash basis for budgeting purposes, a reconciliation is required between the statement of comparison of budget and the budget and the financial of financial performance. This has been presented under note 19.

(c) Taxes

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Motor vehicles and equipment

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

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

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

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

(e) Leases

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

(f) Inventories

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

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

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(ii) *Financial liabilities*

Initial recognition and measurement

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

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

Loans and borrowing

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

(h) **Provisions**

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

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

Contingent liabilities

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

Contingent assets

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

(i) **Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. The Authority has a reserve which consists of accumulated surplus/deficit realised during the year and in prior years.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Changes in accounting policies and estimates

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

(k) Employee benefits

Retirement benefit plans

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

(l) Cash and cash equivalents

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

(m) Significant judgments and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

Notes (continued)

2 Summary of significant accounting policies (continued)

(m) Significant judgments and sources of estimation uncertainty (continued)

Useful lives and residual values

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

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

Provisions

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

(n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June, 2019.

Notes (continued)

3. Financial risk management objectives and policies

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

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

(a) Risks facing the Authority

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

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

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

i. Credit risk

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

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

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

	2019 Shs'000	2018 Shs'000
Cash and cash equivalents (Note 10)		
Short term deposit	80,224	71,740
Cash in bank	45,217	15,048
	<hr/>	<hr/>
	125,441	86,788
	<hr/>	<hr/>

Notes (continued)

3. Financial risk management objectives and policies (continued)

(a) Risks facing the Authority (continued)

i. Credit risk (continued)

Receivables (Note 11)

Rent deposit	4,697	4,697
Accrued interest income	-	-
Trust fund receivable	264,676	312,000
National Treasury development funds	12,500	-
Bank guarantee	-	100
Del Monte Kenya Ltd Holders' Audit fee refund	2,925	-
	284,798	316,797

There were no past due or impaired balances at 30 June 2019 (2018: nil).

ii. Market risk

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

Interest rate risk

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

As at 30 June 2019, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs.80,224 (2018: Shs. 71,740).

iii. Liquidity risk

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

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

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

Notes (continued)

3. Financial risk management objectives and policies (continued)

(a) Risks facing the Authority (continued)

iii. Liquidity risk (continued)

	On demand Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Total Shs'000
At 30 June 2019					
Payables, accruals and provisions	154,104	-	-	-	154,104
At 30 June 2018					
Payables, accruals and provisions	131,136	-	-	-	131,136

(b) Fair value of financial instruments

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

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

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

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

Notes (continued)

	2019 Shs '000	2018 Shs '000
4 Transfer from the Trust Fund		
Amounts transferred	90,000	-
Transfer receivable	264,676	210,000
	<u>354,676</u>	<u>210,000</u>

The National Treasury approved utilization of KES 354.676 Million from the Trust Fund Income to support the operations of the Authority and for the car and house mortgage scheme in the financial year 2018/2019. KES 90 million was transferred within the period with KES 264.68 Million still outstanding because the projects earmarked to utilize the funds were ongoing and are expected to be completed in the financial year 2019/2020.

	2019 Shs '000	2018 Shs '000
5 Finance income		
Interest income on call deposit	2,567	4,954
	<u>2,567</u>	<u>4,954</u>

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

	2019 Shs '000	2018 Shs '000
6 Other Income		
Del Monte Kenya Ltd Holders' Audit fee refund	2,925	-
	<u>2,925</u>	<u>-</u>

	2019 Shs '000	2018 Shs '000
7 Staff costs		
Salaries and wages	87,837	91,255
Contributions to pensions	7,970	7,113
Housing benefits and other allowances	27,379	27,727
Staff gratuity	10,333	11,221
	<u>133,519</u>	<u>137,316</u>

	2019 Shs '000	2018 Shs '000
8 Board expenses		
Chairman`s honoraria	420	1,020
Directors allowances	10,114	6,123
Other allowances and expenses	8,242	5,361
	<u>18,776</u>	<u>12,504</u>

The Authority had a full board complement of 7 members during FY 2018/19. In the prior period, the Authority operated with 6 members of the Board. During the period, induction for new board members was conducted (including the chairman), other capacity building costs were also incurred.

Notes (continued)

	2019 Shs '000	2018 Shs '000
9 Administrative expenses		
Rent	21,059	18,812
Consultancy expenses	28,898	18,597
Advertising	7,253	8,627
Conferences and stakeholders' engagement	15,713	8,991
Workshops and training expenses	6,028	6,609
Tuition fees	142	73
Other capacity building costs	14,252	11,591
Domestic and foreign travel expenses	26,684	19,664
Audit fee	3,659	5,903
Catering services	5,562	3,365
General office supplies (stationery)	2,599	3,444
Supply of computer maintenance and accessories	14,174	6,753
Sanitary & cleaning materials	52	224
Telephone expenses	2,316	2,799
Internet connectivity	1,174	996
Motor vehicle insurance	786	612
Staff medical insurance	9,282	8,663
Electricity	1,122	941
Publishing and printing	5,168	1,631
General expenses	45	296
Contracted cleaning and security services	1,737	576
Newspapers subscriptions	310	798
Fuel and lubricants	656	279
Repairs and maintenance	1,498	1,223
Employee welfare	686	614
Membership to professional bodies	239	333
Bank charges	279	193
Postal services	630	700
Water and sewerage	-	130
Trust Fund management – 9(i)	92,591	61,133
Legal fees	714	626
Corporate social responsibility	1,295	-
	266,603	195,196
9 (i)		
Trust Fund consultancy services	89,001	42,602
National policy development	2,808	4,278
Trust Fund advertisements and workshops	782	14,253
	92,591	61,133

Notes (continued)

	2019	2018
	Shs'000	Shs'000
10 Cash and cash equivalents		
Short term deposit	80,224	71,740
Cash in bank	45,217	15,048
Standing/temporary imprest	1,192	5,737
Cash on hand	12	31
	<u>126,645</u>	<u>92,556</u>
11 Receivables and prepayments		
Trust Fund Transfer Receivable	264,676	312,000
Prepaid rent	4,697	4,697
Bank guarantee	-	100
National treasury	12,500	-
Audit fee receivable – Trust Fund	2,925	-
	<u>284,798</u>	<u>316,797</u>
12 Inventories		
Office stationery	1,004	668
ICT consumables	602	480
	<u>1,606</u>	<u>1,148</u>

Notes (continued)

13 Motor vehicles and equipment

Year ended 30 June 2018	Motor vehicles Shs'000	Computers and printers Shs'000	Fixtures and fittings Shs'000	Furniture Shs'000	Total Shs'000
Cost					
At start of year	16,300	15,557	86,153	14,591	132,701
Additions	-	5,911	-	2,254	8,165
At end of year	16,300	21,468	86,153	16,945	140,866
Accumulated depreciation					
At start of year	12,373	12,480	31,103	4,041	59,997
Charge for the year	3,927	5,655	14,358	2,062	26,002
At end of year	16,300	18,135	45,461	6,103	85,999
Net Book Value at end of year	-	3,333	40,692	10,842	54,867

Notes (continued)

13 Motor vehicles and equipment (continued)

Year ended 30 June 2019	Motor vehicles Shs'000	Computers and printers Shs'000	Fixtures and fittings Shs'000	Furniture Shs'000	Total Shs'000
Cost					
At start of year	16,300	21,468	86,153	16,945	140,866
Additions	-	7,038	-	2,432	9,470
At end of year	16,300	28,506	86,153	19,377	150,336
Accumulated depreciation					
At start of year	16,300	18,135	45,461	6,103	85,999
Charge for the year	-	6,790	14,359	2,143	23,292
At end of year	16,300	24,925	59,820	8,246	109,291
Net Book Value at end of year	-	3,581	26,333	11,131	41,045

Notes (continued)

14 Car and House Mortgage Scheme

The Authority operates a Car and House Loan Scheme at Housing Finance Company (HFC) Bank in line with the Mortgage and House scheme policies approved by the Board of Directors and National Treasury. This amount relates to the deposit paid by the Authority to HFC bank.

	2019 Shs '000	2018 Shs '000
Mortgage and car loan scheme	160,000	-

	2019 Shs '000	2018 Shs '000
15 Payables, accruals and provisions		
Other payables	133,742	103,678
Contracted staff defined contribution benefit (15a)	20,362	27,458
	154,104	131,136

15 (a) Contracted staff defined contribution benefit

Description	2019 Shs '000	2018 Shs '000
Balance at the beginning of the year	27,458	20,484
Provision for the Period	10,333	10,933
Provision utilised	(17,429)	(3,959)
Total provisions	20,362	27,458

Notes (continued)

16 Related party transactions

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

Key management personnel

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

	2019 Shs '000	2018 Shs '000
Salaries and allowances	39,265	35,268
Staff defined contribution	9,612	10,933
National Social Security Fund	18	21
	48,895	46,222

Board expenses are disclosed in Note 8.

Unclaimed Assets Trust Fund (UATF)

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

17 Commitments

Operating lease commitments

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

	2019 Shs'000	2018 Shs'000
Falling due within one year	12,598	20,884
Falling due between one and five years	-	12,598
	12,598	33,482

Notes (continued)

17 Commitments (continued)

Capital commitments	2019 Kshs'000	2018 Kshs'000
Car and house mortgage for staff	12,950	70,000
Unclaimed assets financial system	97,134	97,134
Total	110,084	167,134

18 Contingent liabilities

The Authority made an application for review of the Public Procurement Administrative Review Board's decision on award of the procurement of the Unclaimed Financial Assets System (UFAMS). The matter is awaiting the High Court's decision. The procurement amount is Kshs 80.5 Million, with possible legal costs of Kshs 1 Million.

19 Reconciliation of the budget analysis statement and the financial performance statement

	Year ended 30 June 2019 Shs'000
Actual income as per budget and actual statement	722,657
Less: Carry forward from 2017/18	(157,634)
Add: Other income receivable	2,925
Income as per statement of financial performance	567,948
Actual expenditure as per budget statement	528,898
Less: Capital expenditure	(110,000)
Add: Depreciation charge	23,292
Expenditure as per statement of financial performance	442,190

20 Taxation

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

Notes (continued)

21 Employees

The number of employees at the end of the year was 33 (2018:34)

22 Incorporation

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

23 Ultimate and Holding Entity

The entity is a State Corporation under the National Treasury. Its ultimate parent is the Government of Kenya.

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