

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**UNCLAIMED FINANCIAL
ASSETS AUTHORITY**

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

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 03 AUG 2021
TUESDAY
Chief Whip
Hon. E. K. Obonyo, MP
Finlay Mwirere



OFFICE OF THE AUDITOR GENERAL
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**UNCLAIMED FINANCIAL ASSETS AUTHORITY
(UFAA)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020**

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 03 AUG 2021 DAY: TUESDAY
TABLED BY: Chief Whip
Hon. Emmanuel Wanjau, MP
CLERK OF THE TABLE: Finlay Muriuki

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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 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer (CEO)	FA John K. Mwangi
2.	Ag. Manager Unclaimed Financial Assets Line	Beatrice Chelangat
3.	Manager Information and Communication Technology	Francis Mathenge Muchina
4.	Manager Human Resource & Administration	Caroline Chepkurui Chirchir
5.	Manager Finance & Accounting	CPA Henry Taabu Nyegenye
6.	Manager Procurement	Dr. Jack Gumboh
7.	Corporation Secretary/Head of Legal services	James Nduna (Upto 31 March 2020)
8.	Ag Corporation Secretary/Head of Legal services	Godfrey Wambugu (From 1 April 2020)

d Fiduciary oversight arrangements

Board oversight

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

Parliamentary committees

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

e Authority headquarters and contacts

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

f Bankers

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

NCBA
Westlands Branch
P.O Box 30437-00100
Nairobi, Kenya

g Independent auditor

The Auditor General
Office of the Auditor General (OAG)
Anniversary Towers, Loita Street
P.O Box 30084 - 00100
Nairobi, Kenya

Delegated/Authorised Auditor:

PricewaterhouseCoopers LLP
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

Ag. Corporation Secretary/Head of Legal Services
Godfrey Wambugu
Unclaimed Financial Assets Authority

Profile of Directors

Profile of Directors

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 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, until January 2020 when he was appointed as Cabinet Secretary, The National Treasury. 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.



Mr. Daniel M. Mutua

Mr. Mutua is a Deputy Director, Investment in the National Treasury. He holds a Bachelor of Education (Economics/Business)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and is a Registered Certified Investment and Financial Analyst (CIFA). Mr. Mutua has undergone Intensive training in many areas such as Investment appraisal, Enterprise Risk Analysis, Corporate Governance, Performance Management, Project management, Procurement, Public Finance. He holds several certificates on Public Private Partnerships from IP3 Institute, in Washington DC-USA. He has over 25 years Public sector experience in various Ministries including-TSC, Ministry of Labour, Office of the Vice President, Culture & National Heritage and currently in the National Treasury-Directorate of Public Investments and Portfolio management. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd, and University of Eldoret Council.

Born in 1967, Mr Mutua was appointed in November 2012 as an Alternate Director to the CS, National Treasury.



Mr. Gabriel K. Njenga – Non-Executive Director

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

Born in 1957, Mr Njenga was re-appointed in December 2018 as a member of the Board.



Ms Jacqueline Oyuyo - Non-Executive Director

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

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

She is committed to demystifying corporate governance in a way that makes sense for each Authority that she deals with and is adept at tackling regulatory compliance. She 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.

Born in 1975, Jacqueline was re-appointed in May 2019 as a member of the Board.





Hon FCPA Thomas Ludindi Mwadeghu - Non-Executive Director

Hon. Thomas Ludindi Mwadeghu is the immediate former Member of Parliament for Wundanyi Constituency having served for two consecutive terms. As Member of Parliament, Hon. Mwadeghu served as a Minority Chief Whip, Member of House Business Committee, Member of Public Investment Committee and Lands Committee of the National Assembly.

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

Hon. Mwadeghu is a graduate of Commerce (Accounting) from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) since 1981.

Born in 1953, Hon FCPA Mwadeghu was appointed as a member of the Board in September 2018.

	<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>Born in 1966, Peter was appointed as a member of the Board in September 2018.</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 in 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 Godfrey Wambugu</p> 	<p>Acting Corporation Secretary & Manager Legal Services</p> <p>Godfrey is responsible for Board affairs and ensuring compliance with statutory legal requirements and establish legal risk management procedures to prevent and mitigate against legal risk. He also advises on contractual obligations as well as corporate governance requirements.</p> <p>Godfrey joined the Authority as a Senior Legal Officer in 2017 following distinguished service in private sector institutions including Stima Sacco and Standard Group Limited. He was appointed in Acting capacity in April 2020.</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 am pleased to report that the Unclaimed Financial Assets Authority (UFAA or "Authority") has come of age in implementing its mandate. In line with the growth strategy envisaged in the Strategic Plan 2018-2023 the Authority has embarked on growing the Fund and reunification of assets with their rightful owners.

The key highlight of the reunification agenda has been our collaboration with the National Government Administration officers to bring reunification services to the people at the sub-location level. Besides this, we have played our advisory role to the Cabinet Secretary and The National Treasury in anchoring policy direction through a comprehensive national policy on unclaimed assets.

The challenges that the COVID-19 pandemic has presented to the operating environment locally are enormous. We however strive to ensure that the Board steers the organization during this period, while ensuring adherence to safety measures put in place by the Ministry of Health and other Government agencies.

I wish to thank the President, H.E. Uhuru Kenyatta and the government at large, for the support towards the success of the Authority in the year under review. I recognise the stewardship of members of the Board – and the Authority as a Trustee of the Fund, for the commitment and efforts put in ensuring that the Unclaimed Assets Trust Fund not only grows, but is also safeguarded, while ensuring re-unification is done to the unclaimed assets rightful owners



Richard Kiplagat
Chairman,
Unclaimed Financial Assets Authority

Date... 30/10/2020

Report of the Chief Executive Officer/Managing Trustee

I am pleased to report that in the year under review, we continued to implement the growth oriented Strategic Plan 2018 – 2023. Our focus has been harnessing the partnerships we have created over time to deepen compliance and enhance reunification of unclaimed financial assets.

During the year under review, we collaborated with the Ministry of Interior and Coordination of National Government to facilitate reunification of unclaimed financial assets through a Rapid Results Initiative (RRI) program. Through this program, members of the public are now able to receive reunification services at the grassroots. Besides, we have enhanced our compliance audits across holders in various sectors through various commissioned audits to ascertain completeness and correctness of the reports we receive for unclaimed assets.

We have reviewed our service delivery model to enable members of the public to search and claim their unclaimed assets through our website. This development has been in response to the feedback we have received from our customers to lessen pain-points along the reunification customer journey.

The year under review has been truly exciting times for the Authority. I am convinced that UFAA shall continue to be an increasingly strong force in the unclaimed assets sector and will bring innovative ideas and create value for all stakeholders. This is especially, given the challenges posed by the COVID-19 pandemic, which affected the operating environment in the last quarter of the Financial Year.

We remain committed to ensuring adherence to the Public Financial Management Act and Regulation and all other legislations. Our collective efforts have been to guarantee the indefinite right of reunification for owners and unlocking unclaimed financial assets for investments in the long-term shared socio-economic development of the country.

My sincere gratitude goes to the National Treasury for the support that the Authority has got in entrenching this regime to the country's economic environment. I also appreciate the collective efforts of the Board of Directors in steering UFAA as an Authority and Trustee to the Unclaimed Financial Assets Trust Fund.



FA John K. Mwangi
CEO/Managing Trustee

Date... 30/10/2020

Unclaimed Financial Assets Authority
 Review of Performance for the year
 For the year ended 30 June 2020

REVIEW OF PERFORMANCE FOR FY 2019/2020

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Receive	Obj. 1: Enhance holder compliance to ensure receipt of Kshs 75 billion of unclaimed financial assets by 2023	<ul style="list-style-type: none"> Holders compliance audits Holders declaration & surrender of Unclaimed Financial assets 	<ul style="list-style-type: none"> Conduct 50 holder's compliance audits Collect Kshs 4.8 billion of unclaimed financial assets from holders 	<ul style="list-style-type: none"> 43 holders' compliance audits were initiated and were at various completion stages as at year-end. Kshs 3.2 billion of unclaimed financial assets were collected. This translate to 67% of the target
Pillar 2: Safeguard	Obj. 2: Strengthen accountability and sustainability in safeguarding unclaimed financial assets	<ul style="list-style-type: none"> Investment rate of return Budget funding and absorption 	<ul style="list-style-type: none"> Attain investment income of kshs 1.5 billion Budget funding amounting to kshs 746.3 million 100 % budget absorption 	<ul style="list-style-type: none"> The amount held in investments stood at kshs 19.2 billion, which realized Kshs 1.4 billion as investment income. This translates to 93% of target UFAA had 100% budget funding with a budget absorption of 79%
Pillar 3: Reunite	Obj. 3: Realize 100% reunification of valid claims to the rightful owners	Claim/Reunification rate in respect to amount and number of claims processed and paid	Reunification of Kshs 300 million to 2,000 claimants	<ul style="list-style-type: none"> UFAA realised 76% of the set target – amounting to Kshs 228.7 million to 2,244 claimants
Pillar 4: Institutional Capacity & Corporate Governance	Obj. 4: Strengthen institutional capacity	<ul style="list-style-type: none"> People: No. of staff and capacity building Effectiveness of corporate governance 	<ul style="list-style-type: none"> Maintain 100% of staff capacity Implement Board tracker & adherence to Mwingozo code 	<ul style="list-style-type: none"> UFAA staff capacity stood at 85% of the approved staffing strength Staff training stood at 86% of the capacity building budget Board tracker implemented and adherence to Mwingozo code ensured
	Obj. 5: Increase brand visibility, outreach and stakeholder engagement	No. of Education and Awareness	Conduct 115 Education and Awareness forums	<ul style="list-style-type: none"> 99 forums were executed- translating to 86% of target

Statement of Corporate Governance

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

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

The Board Charter

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

The Board of Directors

As per the Unclaimed Financial Assets Act 2011, the Board consists of six (6) non-executive members and the Chief Executive Officer. As at 30th June 2020, the following served as members of the Board of Directors:

Name	Position
Richard Kiplagat	Chair
Daniel Mutua	Member
Gabriel Njenga	Member
Jacqueline Oyuyo	Member
Hon. Thomas Mwachugu	Member
Peter Kanyua	Member

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 2019 to 30 JUNE 2020

Full and Special Board meetings attendance

Name	Meetings	Attended	Absent
Richard Kiplagat	12	12	0
Daniel Mutua	12	11	1
Gabriel Njenga	12	11	1
Jacqueline Oyuyo	12	10	2
Hon. Thomas Mwadeghu	12	10	2
Peter Kanyua	12	10	2

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 (4) 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
Hon. FCPA Thomas Mwadeghu	Chair
Daniel Mutua	Member
Peter Kanyua	Member

Finance and Human Resource Committee Meetings attendance

Name	No. of Meetings	Meeting attended	Meetings absent
Hon. Thomas Mwadeghu	11	11	0
Daniel Mutua	11	10	1
Peter Kanyua	11	11	0

Audit and Risk Committee

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

Name	Position
Jacqueline Oyuyo	Chair
Daniel Mutua	member
Gabriel Njenga	Member

Audit and Risk Committee Meeting attendance

Name	Meetings	Attended	Absent
Jacqueline Oyuyo	6	6	0
Daniel Mutua	6	6	0
Gabriel Njenga	6	6	0

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
Peter Kanyua	Chair
Gabriel Njenga	member
Hon. FCPA Thomas Mwadeghu	Member

Technical and Investment Committee Meeting attendance

Name	Meetings	Attended	Absent
Peter Kanyua	4	4	-
Gabriel Njenga	4	4	-
Hon. Thomas Mwadeghu	4	4	-

Management discussion and analysis

Operational and financial performance

The Authority realized a total of Kshs 675.9 million in revenues for the financial year ended 30 June 2020. This includes Kshs 199,900 that was the allocated revenue from the Exchequer. Despite the challenges in the economic environment, the Government provided all funding as allocated, signifying the significant support received from the line Ministry. Included in the revenues realized is Kshs 458.3 million, which the Cabinet Secretary, approved for the Authority to utilize from the Trust Fund. Other revenues are Kshs 13.2 million reimbursement of audit fees utilized on compliance audits and Kshs 4.6 Million received from call account deposits.

Budget performance

Budget utilization stood at 78% of budgeted funds. The area of significant low absorption was staff emoluments due to the delay in finalizing of approvals for recruitment of additional staff, including delays in approval to recruit staff to fill existing vacancies. We are however optimistic that this will be addressed in the new financial year, following concurrence by National Treasury that the Authority obtains relevant approvals for additional staff.

COVID-19 pandemic and its effects

The COVID-19 pandemic presented significant challenges to the operating environment, which affected the Authority's execution of its mandate. This was particularly on stakeholder engagement initiatives and receipt of claims from claimants. Measures have however been put in place to adherence to Government guidelines in addressing this pandemic. In line with the Government directive to release funds for travel and accommodation and related activities, the Authority submitted Kshs 15 Million to the COVID-19 Fund.

Key projects and investment decisions the Authority is planning/implementing

The Authority implemented online reunification for claimants of unclaimed assets. This is a significant step in particular during this period when social distancing and handling of physical documents are issues of key concern. In addition, the High Court gave a determination to the Unclaimed Financial Assets Management System (UFAMS) case. Subsequent to the balance sheet date, the Board of Directors recommended that the Authority should implement the recommendation of the Public Procurement Regulatory Authority, as was held by the High Court. To achieve value for money, the Authority will engage an independent management and supervision consultant, to oversee project implementation. Conclusion of this matter is expected to enable implementation of automated accounting, reporting and general management of the Unclaimed Financial Assets data.

During the Year, the Authority entered into a collaborative arrangement with the Ministry of Interior and Coordination of National Government. This is with a view to enhancing awareness about the unclaimed financial assets regime, and thereby ensure more reunification of assets with their owners is realized.

Major Risks facing the Organization

Staff capacity continues to be an issue that portends significant risk to the entity. This is since it impacts not only efficiency in operations but also segregation of duties. To address the challenge, outsourcing of services and automation are used as key strategic components of the organization. These however present additional risks in information security and the need for resources to manage the outsourced service providers.

As pointed out, following concurrence by National Treasury to obtain approval for up to 85 staff, it is expected that staff capacity is an issue that will be addressed in the FY 2020/21.

Compliance with statutory requirements

The Authority carries out its operations in adherence to applicable Laws and regulations in financial management, procurement management and employment and labour practises. In addition, adherence to the unclaimed Financial Assets Act is given key priority in all operations, including other relevant circulars and guidelines from government.

Material arrears in statutory/financial obligations

There were no material arrears in financial obligations. Given the Authority operates on an accrual basis, all the accrued amount was provided for in the budget. Therefore, the obligations will be settled as and when activities relating to them are finalized.

Financial Probity/Governance Issues

No financial probity or governance issues were noted during the year under review.

Corporate Social Responsibility Statement/Sustainability Reporting

Sustainability strategy and profile

The Authority has continued to adhere to measures that ensure sustainability. This is as evidenced by involvement in the review of the comprehensive policy on unclaimed financial assets. In addition, use of the national government administrators in reunification initiatives was adopted as a measure to implement mechanisms that are sustainable in stakeholder engagement and reunification.

Environmental performance

To support the government's efforts in enhancing the tree cover in the country, the Authority adopted and planted 2 hectares of trees in the Ngong Forest, under a partnership with the Kenya Forest Service.

Employee welfare

Employee welfare is an area of significant interest in our operations. To this end, various policies and schemes, including car and housing benefit, medical insurance, pension scheme among others have been put in place. The policies and schemes are continually reviewed to ensure they address upcoming needs of staff.

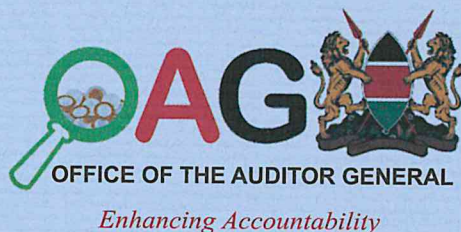
As a result of the COVID-19 pandemic, the Authority has adhered to Government guidelines aimed at mitigating the risks presented by this pandemic to staff. This include adoption of working from home measures and providing necessary facilitation to staff when required to be in office.

Market place practices

The Authority has continued to adhere to government guidelines in response to the Presidential declaration of the COVID-19 pandemic in the country. In adherence to subsequent measures announced thereafter, Kshs 15 million was donated to the Kenya COVID-19 Fund. The contribution arose from budget savings meant for CSR and operational activities foregone in the wake of the pandemic.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Unclaimed Financial Assets Authority set out on pages 23 to 46, which comprise the statement of financial position as at 30 June, 2020, 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 the Unclaimed Financial Assets Authority as at 30 June, 2020, 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 Public Finance Management Act, 2012 and the Unclaimed Financial Assets Act, 2011.

Basis for Opinion

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

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

As previously reported, 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 in the reunification rate of assets with the beneficiaries from a low of less than 1% in 2017, the rate is still significantly low and standing at 2.7% as at 30 June, 2020. Management has attributed the slow pace to the Unclaimed Financial Assets (UFA) Regulations, 2016 which do not adequately support the reunifications. Management have submitted a proposal to The National Treasury for amendment.

In the circumstances, the Authority is not meeting its mandate of tracing unclaimed assets and reunifying them with the beneficiaries efficiently and effectively.

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

Non-compliance with National Cohesion and Integration Act, 2008

Review of the Authority's human resource composition and the report submitted to Public Service Commission in 2019 on regional balance, revealed that two communities are over represented at 54.5%. In addition, the male gender was overrepresented at 75% of the filled positions within Senior Management cadre. Although Management indicated that this situation is historical, no plans were provided to remedy the situation.

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 overall governance were not effective.

Basis for Conclusion

Significant use of Consultants

During the period under review, the Authority hired consultants to provide consultancies in various areas including internal control activities at a cost of Kshs.224,176,462 and representing 63.95% of administrative expenditure. It was noted that consultancies were incurred in areas of internal audit, customer survey, information security, holders' audits, branding and public relations as shown below;

Consultancy	Amount Kshs.
Holders Audit	148,992,067
Development of Business Continuity Plan	3,549,600
Knowledge, Attitude and Perception Survey	1,429,083
Internal Audit Services	2,700,174
Disaster Recovery and Co-location Services	2,824,368
Information Security Consultancy Services	6,192,170
Consultancy Expenses	18,200,000
Computer Maintenance and IT Related Consultancies	40,289,000
Total	224,176,462

This is indicative of inadequacy of the existing capacity to deliver on the Authority's mandate which may negatively impact on the effective delivery of services.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain 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

09 July, 2021

Statement of financial performance

	Notes	Year ended 30 June	
		2020 Shs '000	2019 Shs '000
Revenue from non-exchange transactions			
Government grants - recurrent		149,900	157,780
Government grants – capital funding		50,000	50,000
Transfer from Trust Fund	4	458,300	354,676
Revenue from exchange transactions			
Finance income	5	4,552	2,567
Other income	6	13,173	2,925
Total revenue		675,925	567,948
Operating expenses			
Staff costs	7	134,503	133,519
Board expenses	8	13,558	18,776
Administrative expenses	9	350,546	266,603
Depreciation	13	23,436	23,292
Total operating expenses		522,043	442,190
Surplus for the year		153,882	125,758

The notes on pages 28 to 46 are an integral part of these financial statements.

Statement of financial position

	Notes	As at 30 June	
		2020 Shs '000	2019 Shs '000
ASSETS			
Current assets			
Cash and cash equivalents	10	180,050	126,645
Receivables and prepayments	11	344,130	284,798
Inventories	12	1,184	1,606
		525,364	413,049
Non-current assets			
Motor vehicles and equipment	13	33,596	41,045
Staff house and car loan scheme	14	249,610	160,000
		283,206	201,045
Total assets		808,570	614,094
Current liabilities			
Payables, accruals and provisions	15	194,698	154,104
Net reserves		613,872	459,990
Total net reserves and liabilities		808,570	614,094

The notes on pages 28 to 46 are an integral part of these financial statements.

The financial statements on pages 23 to 46 were approved for issue by the Board of Directors and signed on its behalf by:



FA John Mwangi
 Chief Executive Officer

Date 30/10/2020



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

Date 30/10/2020



Richard Kiplagat
 Chairman of the Board

Date 30/10/2020

Statement of changes in net reserves

	Year ended 30 June	
	2020	2019
	Shs '000	Shs '000
Accumulated surplus		
At start of the year	459,990	334,232
Surplus for the year	153,882	125,758
	<hr/>	<hr/>
At end of the year	613,872	459,990
	<hr/>	<hr/>

The notes on pages 28 to 46 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 30 June 2020 Shs'000	Year ended 30 June 2019 Shs'000
Cash flows from operating activities			
Surplus		153,882	125,758
Adjustment for:			
Depreciation	13	23,436	23,292
Operating surplus before changes in working capital		<u>177,318</u>	<u>149,050</u>
Increase in receivables and prepayments		(148,942)	(128,001)
(Increase)/decrease in inventories		422	(458)
Increase in payables, accruals and provisions		40,594	22,968
Net cash from operating activities		<u>69,392</u>	<u>43,559</u>
Purchase of equipment	13	(15,987)	(9,470)
Net cash used in investing activities		<u>(15,987)</u>	<u>(9,470)</u>
Increase in cash and cash equivalents		53,405	34,089
Cash and cash equivalents at start of year		126,645	92,556
Cash and cash equivalents at end of year	10	<u>180,050</u>	<u>126,645</u>

The notes on pages 28 to 46 are an integral part of these financial statements.

Statement of Comparison of Budget and Actual Performance

Item	Approved budget 2019-20 Shs '000	Adjustments Shs '000	Final budget FY 2019-20 Shs '000	Actual FY 2019-20 Shs '000	Performance difference FY 2019-20 Shs '000
Revenue					
Government grants	149,900	50,000	199,900	199,900	-
Carry forward income	46,579	38,565	85,144	85,144	-
Finance income	3,000	-	3,000	17,725	14,725
Trust fund income	465,365	(7,065)	458,300	458,300	-
Total income	664,844	81,500	746,344	761,069	14,725
Expenses					
Compensation of employees	173,550	-	173,550	134,503	(39,047)
Goods and services	394,834	12,838	407,672	340,728	(66,944)
Rent paid	31,550	(8,050)	23,500	23,376	(124)
Capital expenditure	64,910	76,712	141,622	105,597	(36,025)
Total expenditure	664,844	81,500	746,344	604,204	(142,140)
Surplus for the period	-	-	-	156,865	156,865

A reconciliation of the budget analysis and the financial statements is presented under note 18.

The notes on pages 28 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

There were no new standards that have been adopted by the Authority

(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. This standard has no impact on the entity.

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.

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 an accrual 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 accrual 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 18.

(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 motorcycles	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, 2020.

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:

	2020	2019
	Shs'000	Shs'000
Cash and cash equivalents (Note 10)		
Short term deposit	161,000	80,224
Cash in bank	19,008	45,217
	<hr/>	<hr/>
	180,008	125,441
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3. Financial risk management objectives and policies (continued)

(a) Risks facing the Authority (continued)

i. Credit risk (continued)

	2020 Shs'000	2019 Shs'000
Receivables (Note 11)		
Rent deposit	4,697	4,697
Trust fund receivable	322,976	264,676
National Treasury development funds	-	12,500
Holder's Audit Fee Fund	16,098	2,925
Staff imprest	279	-
Suppliers deposit	80	-
	344,130	284,798
	344,130	284,798

There were no past due or impaired balances at 30 June 2020 (2019: 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 2020, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs 161,000 (2019: Shs. 80,224).

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 2020					
Payables, accruals and provisions	194,698	-	-	-	194,698
At 30 June 2019					
Payables, accruals and provisions	154,104	-	-	-	154,104

(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)

	2020	2019
	Shs '000	Shs '000
4 Transfer from the Trust Fund		
Amounts transferred	135,324	90,000
Transfer receivable	322,976	264,676
	<u>458,300</u>	<u>354,676</u>
5 Finance income		
Interest income on call deposit	4,522	2,567
	<u>4,522</u>	<u>2,567</u>
<p>The Authority invests funds that are not required for immediate use in call deposit at Kenya Commercial Bank.</p>		
	2020	2019
	Shs '000	Shs '000
6 Other Income		
Audit fee recovered from holders' audits	13,173	2,925
	<u>13,173</u>	<u>2,925</u>
7 Staff costs		
Salaries and wages	94,549	87,837
Contributions to pensions	8,292	7,970
Housing benefits and other allowances	21,727	27,379
Staff defined contribution- gratuity	9,935	10,333
	<u>134,503</u>	<u>133,519</u>
8 Board expenses		
Chairman`s honoraria	1,020	420
Directors allowances	7,587	10,114
Other allowances and expenses	4,951	8,242
	<u>13,558</u>	<u>18,776</u>

Notes (continued)

	2020	2019
	Shs '000	Shs '000
9 Administrative expenses		
Rent	23,376	21,059
Consultancy expenses	18,200	28,898
Advertising	12,868	7,253
Conferences and stakeholders' engagement	5,148	15,713
Workshops and training expenses	2,671	6,028
Tuition fees	4,045	142
Other capacity building costs	15,523	14,252
Domestic and foreign travel expenses	23,263	26,684
Audit fee	3,879	3,659
Catering services	2,676	5,562
General office supplies (stationery)	3,279	2,599
Computer maintenance and IT related consultancies	40,289	14,174
Sanitary & cleaning materials	0	52
Telephone expenses	1,761	2,316
Internet connectivity	982	1,174
Motor vehicle insurance	451	786
Staff medical insurance	9,946	9,282
Electricity	1,311	1,122
Publishing and printing	7,892	5,168
General expenses	15	45
Contracted cleaning and security services	1,423	1,737
Newspapers subscriptions	329	310
Fuel and lubricants	644	656
Repairs and maintenance	248	1,498
Employee welfare	98	686
Membership to professional bodies	578	239
Bank charges	365	279
Postal services	468	630
Trust Fund management – 9(i)	152,770	92,591
Legal fees	521	714
Corporate social responsibility*	15,527	1,295
	350,546	266,603

*Included under corporate social responsibility is an amount of Kshs 15,000,000 which was donated to the Covid-19 emergency kitty.

9 (i) Trust Fund Management

Trust Fund consultancy services	149,126	89,001
National policy development	2,736	2,808
Trust Fund advertisements and workshops	908	782
	152,770	92,591

Notes (continued)

	2020 Shs'000	2019 Shs'000
10 Cash and cash equivalents		
Short term deposit	161,000	80,224
Cash in bank	19,008	45,217
Standing/temporary imprest	-	1,192
Cash on hand	42	12
	<u>180,050</u>	<u>126,645</u>
11 Receivables and prepayments		
Trust Fund transfer receivable	322,976	264,676
Prepaid rent	4,697	4,697
Supplier advance- Safaricom Limited	80	-
National treasury	-	12,500
Audit fee receivable – Trust Fund	16,098	2,925
Staff advances	279	-
	<u>344,130</u>	<u>284,798</u>
12 Inventories		
Office stationery	870	1,004
ICT consumables	314	602
	<u>1,184</u>	<u>1,606</u>

Notes (continued)

13 Motor vehicles and equipment

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)

13 Motor vehicles and equipment (continued)

Year ended 30 June 2020	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	28,506	86,153	19,377	150,336
Additions	10,530	4,667	-	790	15,987
At end of year	26,830	33,173	86,153	20,167	166,323
Accumulated depreciation					
At start of year	16,300	24,925	59,820	8,246	109,291
Charge for the year	2,632	4,986	13,278	2,540	23,436
At end of year	18,932	29,911	73,098	10,786	132,727
Net Book Value at end of year	7,898	3,262	13,055	9,381	33,596

Notes (continued)

14 Car and House Mortgage Scheme

The Authority operates a Car and House Loan Scheme at Housing Finance Company (HFC) Limited 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 Limited.

	2020 Shs '000	2019 Shs '000
Mortgage and car loan scheme	249,610	160,000

	2020 Shs '000	2019 Shs '000
15 Payables, accruals and provisions		
Other payables	191,163	133,742
Contracted staff defined contribution benefit (15a)	3,535	20,362
	194,698	154,104

15 (a) Contracted staff defined contribution benefit

Description	2020 Shs '000	2019 Shs '000
Balance at the beginning of the year	20,362	27,458
Provision for the period	9,935	10,333
Provision utilised	(26,762)	(17,429)
Total provisions	3,535	20,362

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.

	2020	2018
	Shs '000	Shs '000
Salaries and allowances	41,737	39,265
Staff defined contribution	9,176	9,612
National Social Security Fund	19	18
	<hr/>	<hr/>
	50,932	48,895
	<hr/> <hr/>	<hr/> <hr/>

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 gazette of the Unclaimed Financial Assets Act, No. 40 of 2011. Expenses of the Fund are borne by the Authority. Separate financial statements have been prepared for the Fund.

17 Commitments

Operating lease commitments

The Authority leases its premise under an operating lease. The lease term is for 5 years. The future lease payments due to the rental premise is as follows:

	2020	2019
	Shs'000	Shs'000
Falling due within one year	26,088	12,598
Falling due between one and five years	97,830	-
	<hr/>	<hr/>
	123,918	12,598
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

17 Commitments (continued)

Capital commitments	2020 Kshs'000	2019 Kshs'000
Car and house mortgage for staff	-	12,950
Unclaimed assets financial system	83,806	97,134
Office floor partitions	19,372	-
	<hr/>	<hr/>
Total	103,178	110,084
	<hr/> <hr/>	<hr/> <hr/>

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

	Year ended 30 June 2020 Shs'000
Actual income as per budget and actual statement	761,069
Less: Carry forward from 2018/19	(85,144)
	<hr/>
Income as per statement of financial performance	675,925
	<hr/> <hr/>
Actual expenditure as per budget statement	604,204
Less: Capital expenditure	(105,597)
Add: Depreciation charge	23,436
	<hr/>
Expenditure as per statement of financial performance	522,043
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19 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.

20 Employees

The number of employees at the end of the year was 32 (2019:33)

21 Incorporation

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

22 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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