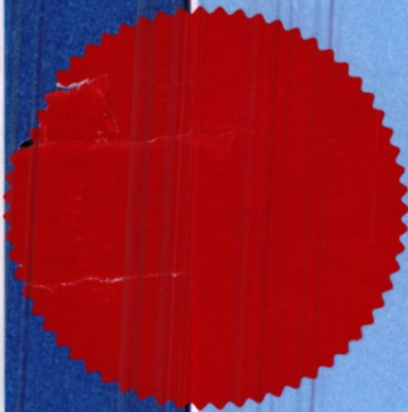


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY

DATE: 18 APR 2024

Titles

OF TABLED BY: Hon Kimani Ichungwa, MP
Leader, majority party

CLERK AT THE TABLE: A. Shibuko

THE AUDITOR-GENERAL

ON

ASSETS RECOVERY AGENCY

**FOR THE YEAR ENDED
30 JUNE, 2023**





ARA

ASSETS RECOVERY AGENCY

27 MAR 2024

ASSETS RECOVERY AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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



ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.

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ASSETS RECOVERY AGENCY

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

ARA	Assets Recovery Agency
CARF	Criminal Assets Recovery Fund
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
DG	Director General
ERP	Enterprise Resource Plan
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
IPSAS	International Public Sector Accounting Standards
Ksh.	Kenya Shillings
MD	Managing Director
MLA	Mutual Legal Assistance
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
POCAMLA	Proceeds of Crime and Anti-Money Laundering Act
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank

ASSETS RECOVERY AGENCY

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B: Glossary of Terms

Agency	Assets Recovery Agency
Assets	Movable and immovable property, tangible and intangible, including immovable property, stores, equipment, land, buildings, animals, inventory, stock, natural resources, intellectual rights vested in the state or proprietary rights.
Assets Recovery	The process of identifying, tracing, freezing, seizure, confiscation, and forfeiture of proceeds of crime.
Comparative Year	Means the prior period.
Confiscation Order	An order issued by the High Court forfeiting, to the government, all or any of the property that is subject to the restraint order.
Fiduciary Management	Members of Management directly entrusted with the responsibility of financial resources of the organisation
Forfeiture Order	An order issued by the High Court forfeiting, to the government, all or any of the property that is subject to the preservation order.
Preservation Order	An order issued by the High Court prohibiting any person, subject to such conditions and exceptions as may be specified in the order, from dealing in any manner with any property that is a proceed of crime or has been used or is intended for use in the commission of an offence.
Restraint Order	An order issued by the High Court prohibiting any person, subject to such conditions and exceptions as may be specified in the order, from dealing in any manner with any property to which the order relates.
Proceeds of Crime	Any property or economic advantage derived or realized, directly or indirectly, as a result of or in connection with an offence irrespective of the identity of the offender.
Performance Indicator	A measurement that evaluates the success of an organization or of a particular activity (such as projects, programmes, products and other initiatives) in which it engages.
Strategic Objectives	These are what the organization commits itself to accomplish in the long term; they establish performance levels to be achieved on priority issues and measures of success in fulfilling critical mission statement elements.

2. Key Entity Information and Management

(a) Background information

The Assets Recovery Agency is established under the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 (POCAMLA) with the mandate of identifying, tracing, freezing, seizing, and recovery of proceeds of crime.

(b) Principal Activities

Assets Recovery Agency (ARA) is a public entity established as a body corporate under Section 53 of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), 2009 with the mandate recovery of proceeds of crime with a view of combating money laundering. It is one of the principal institutions within the criminal justice system implementing the Anti-Money Laundering and counter Financing of Terrorism (AML/CFT) framework in Kenya.

Vision

The Premier Assets Recovery Agency

Mission

To Combat Crime through recovery of proceeds of crime

The objective and functions of the Agency as defined by the Act include:

- i. Identification and investigation of proceeds of crime
- ii. Tracing of proceeds of crime and money laundering both within and without
- iii. Freezing assets suspected to be proceeds of crime held by persons under investigation or prosecution, preserving and maintenance of these assets
- iv. Seizure of proceeds of crime
- v. Recovery of proceeds of crime
- vi. Management of all preserved and recovered assets.
- vii. Disposal of all forfeited assets to state
- viii. Administering the Criminal Assets Recovery Fund as per the Act No.9 of 2009 (POCAMLA)
- ix. Doing and performing all such other acts or things as may be lawfully done by a body corporate.

(c) Key Management

The Assets Recovery Agency Advisory Board was established pursuant to amendments to POCAMLA assented by the President and published in the Kenya Gazette Supplement No. 235 (Acts No. 16) dated 3rd January 2022.

The Advisory Board had not been operationalized at the end of the financial year due to legislative gaps which required further amendments.

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	Brig (Rtd) Alice M. Mate
2.	Deputy Director Corporate Services	Mr. Timothy Nderitu
3.	Deputy Director Legal Services and Corporation Secretary	CS. Jennifer Gitiri
4.	Deputy Director Assets Management	Mr. Kennedy Ogwengo
5.	Principal Accountant	Ms. Nasma Cheboi

(e) Fiduciary Oversight Arrangements

The Agency had the following key fiduciary and oversight structures covering:

- Budget Implementation Committee
- Corruption Prevention Committee
- Risk Management Steering Committee
- Training and Development Committee
- Ad hoc Procurement and Disposal Committees
- Assets Management and Disposal Committee
- Performance Management Committee
- Project Implementation Committee

(f) Entity Headquarters

Assets Recovery Agency
22nd and 21st Floor Old Mutual Tower
P.O. Box 52420-00100
NAIROBI.

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

(g) Entity Contacts

Telephone: +254-0202021009, +254-0202100331

E-mail: info@assetsrecovery.go.ke

Website: www.assetsrecovery.go.ke

(h) Entity Bankers

Kenya Commercial Bank-KICC Branch

KICC Building, Harambee Avenue

P.O Box 46950-00100

NAIROBI

(i) Independent Auditor

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.

3. The Board of Directors/Council

In Financial Year 2021/2022, the Agency proposed and initiated amendments to the Proceeds of Crime and Anti-Money Laundering Act where Section 55A established the Assets Recovery Agency Advisory Board and section 55B provided for the functions of the Board.

In the year under review, there was need for further amendments to enhance the mandate and independence of the Board and clarity on the functions of the advisory Board. The amendments were initiated through the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2023. By June 30th 2023, the amendments had not been assented to by H.E the President. From the foregoing, the Agency did not have the Advisory Board operationalized.

4. Key Management Team



Brig. (Rtd.) Alice M Mate
Director

Brig (Rtd) Alice M. Mate is the Director Assets Recovery Agency. She holds a Bachelor of Laws (Honors) (LLB) Degree and Master of Laws Degree in International Maritime Law from the IMO International Maritime Law Institute -Malta. She holds a Post Graduate Diploma in Law from the Kenya School of Law. Brig (Rtd) Alice M. Mate is an Advocate of the High Court of Kenya and member of the Law Society of Kenya.



CS. Jennifer Gitiri
**Deputy Director Legal Services And
Corporation Secretary**

Ms. Jennifer Gitiri is the Deputy Director Legal Services and Corporation Secretary. She holds a Bachelor of Laws (Honors) (LLB) Degree and two Master of Laws Degrees in Public International Law and Comparative Constitutional Law from the University of Nairobi and Central European University(Budapest,Hungary) respectively. She is a Certified Public Secretary (CPS-K) and a trained Financial Action Taskforce (FATF) assessor by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). Ms Gitiri is an Advocate of the High Court of Kenya, a member of the Law Society of Kenya and a Member of the Institute of Certified Public Secretaries of Kenya



Timothy Nderitu

Deputy Director Corporate Services

Mr. Timothy Nderitu is the Deputy Director Corporate Services. He holds a Bachelor of Arts (Honors) Degree and a Master Degree in Public Policy Management from Strathmore University.

He holds a Post Graduate Diploma in Public Administration from the Kenya School of Government. Mr. Nderitu a member Institute of Directors Kenya



Kennedy Ogwengo

Deputy Director Assets Management

Mr Ogwengo is a seasoned management practitioner with over a decade long experience of practice in fields of Security, law, order and justice sector establishments. He holds Master's Degree in Business Administration-Strategic Management. Diploma and certification in Assets Management. He is a member of the Kenya Institute of Management and Kenya Institute of Supplies Management. He is a certified forensic investigation professional.



Nasma Cheboi

Principal Accountant

Ms. Cheboi holds an Msc. Finance from the University of Nairobi and a Bachelors Degree in business management fom Moi University.

she is a Certified Public Accountant and a Member of the Institute of Certified Public Accountants of Kenya(ICPAK).

5. Chairman's Statement

In Financial Year 2021/2022, the Agency proposed and initiated amendments to the Proceeds of Crime and Anti-Money Laundering Act where Section 55A established the Assets Recovery Agency Advisory Board and section 55B provided for the functions of the Board.

In the year under review, there was need for further amendments to enhance the mandate and independence of the Board and clarity on the functions of the advisory Board. The amendments were initiated through the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2023. By June 30th 2023, the amendments had not been assented to by H.E the President. From the foregoing, the Agency did not have the Advisory Board operationalized.

6. Report of the Director

During the Financial Year 2022/2023, the Assets Recovery Agency implemented its principal mandate of combating money laundering and financing of terrorism through identifying, tracing, freezing, seizure and recovery of proceeds of crime. The Agency played a critical role in the realization of the national development priorities under the political pillar as an enabler in strengthening the social economic sustainability.

The Agency successfully filed cases for recovery of proceeds of crime using civil forfeiture proceedings as provided under Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and recovered proceeds of crime from corruption, drug trafficking, smuggling, human and wildlife trafficking among other predicate offences.

In addition, the Agency managed all the seized, preserved and confiscated/forfeited assets as provided under Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) in the Financial Year 2022/2023.

Other notable achievements from the financial year include;

- (i) Development and launch of the Agency's Strategic Plan and Service Charter:
During the year, the Agency developed and launched its first five-year strategic plan and customer service charter that outlines the strategic priorities and objectives providing the roadmap to pursue the mandate of recovering proceeds of crime effectively and efficiently for social economic development of the country.

- (ii) The Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2023:

The Agency was instrumental in the preparation of the amendment Bill that strengthens the legal framework for combating money laundering, terrorist financing and proliferation financing. Stakeholder engagement for strengthened collaboration and cooperation:

The Agency co-hosted a high-level International Expert Meeting on behalf of the Government of Kenya together with the Government of Switzerland and UNODC on Asset Return and the Agenda 2030: challenges, opportunities and the way forward at the United Nations Office at Nairobi, in November 2022. The meeting focused on the management and disposal of recovered and returned stolen assets, including support of Sustainable Development Goals (SDGs).

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

(iii) Kenya's Mutual Evaluation Process:

The Agency participated in the Mutual Evaluation exercise for Kenya. The Mutual Evaluation is a peer review mechanism under the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) that seek to measure the effectiveness of the legal, policy and institutional framework of member countries on the compliance with the Financial Action Taskforce (FATF) Recommendations. Subsequently, a National Strategy and Action Plan for AML/CFT/CPF was developed to ensure that Kenya meets the international standards.

(iv) Strengthening the Agency institutional policy framework:

During the Financial year the Agency developed the Investigation Handbook, Litigation Handbook, Alternative Dispute Resolution Policy, Assets Management Policy and the Assets Management Manual. These policy documents provide for standard operating procedures that will enhance the core mandate of the Agency in the recovery of proceeds of crime. The documents are pivotal in augmenting the Agency to adapt best practices and ensuring compliance with standards in the area of assets recovery.

(v) Partitioning of Office Space:

Under the institutional capacity key result area, the Agency implemented the partitioning of additional office space at Old Mutual Tower office to enhance the physical infrastructure. The furnishing of the same is projected in the worlplan and the budget estimates for the Financial Year 2023/2024.

(vi) Enterprise Resource Planning (ERP):

During the Financial Year, the Agency procured, installed, and implemented the Enterprise Resource Plan (ERP). The objective of the project is to strengthen the Agencies systems and processes to improve on efficiency and effectiveness. The commissioning, maintainace and support of the ERP is projected to roll over in the current financial year.



Brig (Rtd) Alice M. Mate
Director Assets Recovery Agency

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The Agency has Three Strategic Pillars within the current Strategic Plan Financial Year 2022-2027 that was launched on 31st May 2023. The strategic pillars are listed herebelow as follows ;

- I. Assets Recovery
- II. Assets Management
- III. Institutional capacity

The Agency prepared the Financial Year 2022/2023 Performance Contract that was signed between the Hon Attorney General and the Accounting Officer in line with the 19th Cycle Performance Contracting Framework and the three strategic pillars of the strategic plan. The annual workplan was prepared as per the strategic objectives in the strategic plan. The Agency implemented the strategic objectives and activities for the first year of the strategic plan.

The Agency achieved its performance targets set for the Financial Year 2023 period for its three strategic pillars as indicated in the table below ;

ASSETS RECOVERY AGENCY
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Key result area	Strategic Objective	Key Performance Indicators	Activities	Achievements
Assets recovery	Identify and trace proceeds of crime	Value of suspected proceeds of crime traced and identified.	Undertake intelligence gathering and investigations.	<p>100% of gathered intelligence was verified reports developed and action taken.</p> <p>77 cases were under investigations approximately valued at Kshs 16,376,571,014.65 Billion.</p> <p>Cash restricted in banks approximately valued at Ksh.3,570,096,674 Billion.</p> <p>117 Motor vehicles, 35 Motorcycles and 56 Land Parcels have been investigated as suspected proceeds of crime.</p>
	Obtain preservation and forfeiture orders	Values of preserved and forfeited assets	Institute preservation and forfeiture proceeding	<p>Preservation and forfeiture orders were obtained and filed approximately valued at Kshs 6,181,953,263 Billion, USD 21,591,303.93, Euros 1045 and 55 Motor Vehicles.</p> <p>Assets Forfeited to State approximately valued at Kshs 13,251,351 and USD 1,915,042.</p>

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

				Twelve (12) motor vehicle and Two (2) Parcels of land were forfeited to State.
Assets Management	Manage and dispose preserved and forfeited assets.	Value of assets under preservation and forfeiture managed and disposed	Undertake assets management activities and formulate assets management policy	100% of seized, preserved and confiscated/forfeited assets were managed. Valuation and re-valuation of the assets to determine value was conducted. Ksh.18,145,650.00 from the preserved and forfeited was collected in rent during the Financial Year.
Institutional capacity	To strengthen the human resource capacity of the Agency	Human capacity of the Agency strengthened	Build capacity of staff Manage performance of employees Enhance knowledge management. Enhance staff wellness.	Capacity building, training and performance appraisal of all members of staff conducted on various identified needs to strengthen the Agency core mandate and to enhance staff wellness
	Strengthen institutional systems and processes.	Institutional processed and systems strengthened	Automate systems	ERP Procured, installation and implementation ongoing. The Agency aims to finalize the project during the Financial Year 2023/2024

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.

8. Corporate Governance Statement

In Financial Year 2021/2022, the Agency proposed and initiated amendments to the Proceeds of Crime and Anti-Money Laundering Act where Section 55A established the Assets Recovery Agency Advisory Board and section 55B provided for the functions of the Board.

In the year under review, there was need for further amendments to enhance the mandate and independence of the Board and clarity on the functions of the advisory Board. The amendments were initiated through the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2023. By June 30th 2023, the amendments had not been assented to by H.E the President. From the foregoing, the Agency did not have the Advisory Board operationalized.

9. Management Discussion and Analysis

The Assets Recovery Agency has remained steadfast in its commitment to combat financial crimes and recover assets obtained through illegal means. Throughout the financial year ending June 30, 2023, the Agency continued to play its critical role in implementing the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) framework in Kenya, recovering proceeds of crime or properties which has been used or is intended for use in the commission of an offence.

The Agency's efforts yielded notable results during the reporting period. Total assets recovered experienced a significant increase compared to the previous year, reflecting the effectiveness of our operations and collaborative initiatives. By leveraging advanced investigative techniques and fostering partnerships with law enforcement agencies, the Agency achieved successful asset recoveries and disrupted money laundering schemes and related illegal activities.

In terms of financial performance, the Agency maintained fiscal discipline and prudent resource management. Expenditures were closely monitored to ensure efficient utilization of resources without compromising operational effectiveness.

The Agency spearheaded several key initiatives aimed at strengthening capabilities and addressing emerging threats. These initiatives included building capacity of staff and our stakeholders to combat money laundering and other crimes. The Agency invested in technological infrastructure through procurement of Enterprise Resource Planning (ERP) to improve operational efficiency in its processes and internal control.

However, challenges persist, including resource limitations, cybersecurity risks, and the evolving nature of financial crimes. The rate and diversity of these crimes concealed through blockchain and virtual transactions in the society and the misuse of the of emerging technologies have been on the rise. This has affected growth and development of economies.

The Agency is cognizant of these challenges and efforts are underway to mitigate the same through effective mobilization of more resources, strategic partnerships and ongoing capacity building initiatives.

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

Looking ahead, the Agency remains committed to its mandate of combating money laundering, terrorist financing, and other crimes through recovery of proceeds of crime. thereby sending a strong message that crime does not pay.

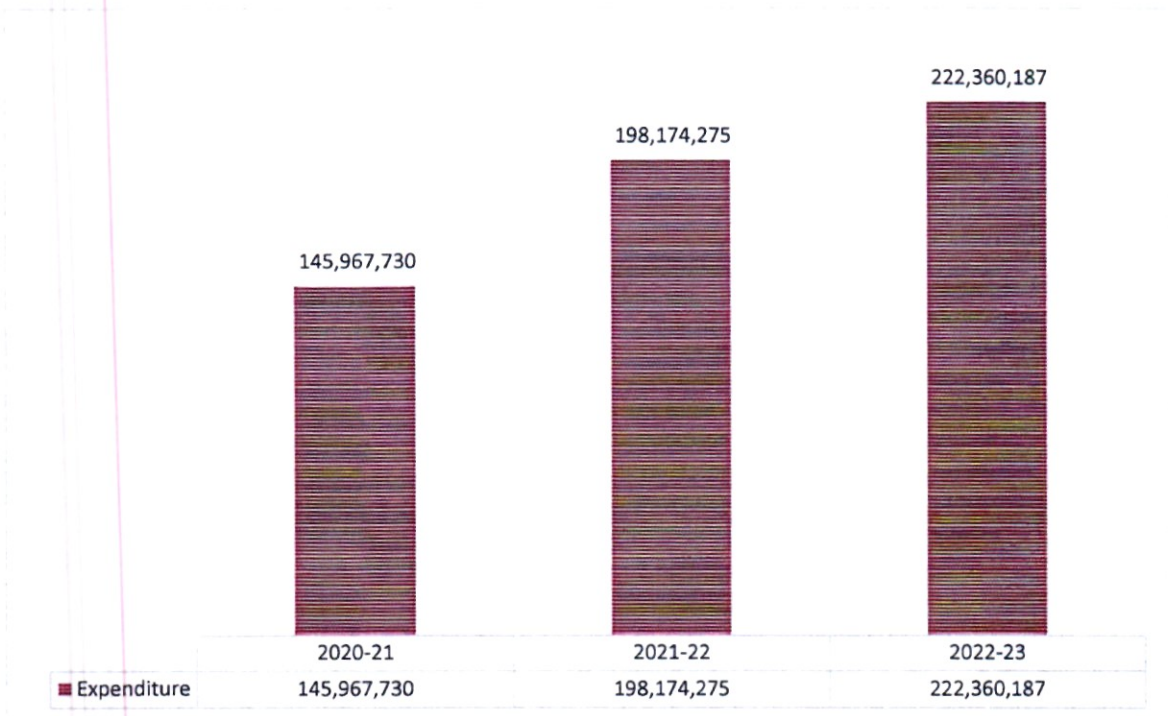
Transfers from other Government entities in the last 3 years



Total Expenditures in the last 3 years

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.



10. Environmental and Sustainability Reporting

Assets Recovery Agency exists as a strategic institution in the fight against corruption, economic crimes and money laundering. The Agency is focused on putting the customer/Citizen first, delivering relevant services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Assets Recovery Agency is a strategic institution in the fight against corruption, economic crimes and money laundering. The recovery of proceeds of crime plays a key role in achieving the government's National Development agenda, as expressed in its Third Medium Term Plan (MTP III), 2018– 2022/2023 under Vision 2030. This is together with the government programmes aligned to Bottom- up Economic Transformation Agenda (BeTA) initiatives and the Sector Performance Standards (SPS). The government initiative ensures that funds stolen from the public are returned and utilized in the programs and activities that improve the livelihood of Kenyans. The Agency has recovered proceeds of crime, and this has been a deterrent measure to prevent loss of public funds and ensure economic growth and sustainable development.

ii) Environmental performance

The Agency premises at Old Mutual Tower under the property management has complied with the environmental guidelines as provided for by the relevant government institutions regulating biodiversity and waste management.

iii) Employee welfare

The Agency is committed to attracting and retaining competent employees required for efficient and effective service delivery in line with the Approved Agency Human Resource Instruments. The Human Resource Policy and Procedures Manual, staff Career Guidelines and approved Staff Establishment guides the human resource management in the Agency. During the Financial Year the Agency undertook the annual staff training needs assessment with view of establishing the staff needs that necessitates training needs

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

interventions, capacity building, mentoring and coaching. A total of eleven members of staff were trained during the period.

The occupational health and safety Act 2007 requires that employers should ensure safety of employees in the workplace. The Agency Complies with provisions of this legislation and during the period under review risk assessment and sensitization of staff on health and safety at the workplace was conducted.

iv) Market place practices

a. Responsible competition practice.

The Agency accords free and fair chances to all our vendors through giving equal opportunities and same ground level for competition. Bidders are invited and bids evaluated based on pre-determined parameters through fair, accountable, and regulatory complied processes. Awards and opportunities are accorded to the most responsive bidders through the fair processes. As a result of strict adherence to all related regulatory frameworks and observance of best International Business Ethical Practices, Anti-corruption Policies are upheld as strictly adhered to.

Fair competition and respect for competitors is a great value to the Agency. We indiscriminately respect free competitions to all eligible and vetted persons willing to participate in our marketplace processes. All related activities remain transparent and open except for our security and intelligence projects whose disclosure is restricted to vetted vendors only. As a policy, all employees involved in marketplace practices must comply to all financial regulations, unfair business behaviour towards competitors is a refrain.

b. Responsible Supply chain and supplier relations

The Agency has made profound consideration into the kind of messages sent or published for consumption by the potential marketplace customers. As a policy, any content that is communicated to consumers must be appropriate, easy to decipher not biased and must be as per technical requirements on request. As an Agency, we are committed to fair and ethical marketing practices as we build trust amongst our vendors and consumers by fulfilling our contractual obligations and standing by every word we communicate.

c. Responsible marketing and advertisement

The Agency has made profound consideration into the kind of messages sent or published for consumption by the potential marketplace customers. As a policy, any content that is communicated to consumers must be appropriate, easy to decipher not biased and must be as per technical requirements on request. As an Agency, we are committed to fair and ethical marketing practices as we build trust amongst our vendors and consumers by fulfilling our contractual obligations and standing by every word we communicate.

d. Product stewardship

The above subject matter stands as one of the key priorities for the Agency especially being a **Law Enforcement Agency**. In meeting this important objective, the Agency has enforced that for non-sophisticated buys; the domestic market must be promoted through purchase of locally manufactured goods, materials and labour. **"Buy Kenya Build Kenya"**.

The Agency considered marketplace opportunities to the vulnerable business members of the society (**Youth, Women & Persons Living With Disabilities**) who absorb at least 40% of the Agency procurement opportunities. Achieving this comprehensive observance of the Agency consumer rights and interest is regarded as economic and democratic growth.

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

e. Corporate Social Responsibility / Community Engagements

During the financial year 2022/2023 the Agency conducted a medical camp for its staff as well as staff drawn from other Institutions housed in the Old Mutual Tower. A total of sixty-four (64) participated in the exercise.

The Agency together in collaboration with the Kenya Forest Services (KFS) conducted a tree planting exercise at the Ngong Forest Nairobi Region offices as part of the implementation of the Presidential Directive on National Tree Growing Campaign as mainstreamed in the Performance Contracting Framework.

The Agency in the implementation of the Performance Contract indicator on assets management for the year, donated 59 used tyres to St. Catherine Primary School in Nairobi South B, and old newspapers were donated to the Kenya National Libraries that were considered obsolete by the Disposal Committee. The disposal was done through transfer to another public entity pursuant to Sec 165(1)(a) of the Public Procurement and Disposal Act of 2015 (Revised Edition 2022).

11. Report of the Management

The Agency submits this report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Assets Recovery Agency's affairs.

i) Principal activities

The principal activities of the Agency are highlighted in 2(b) above.

ii) Results

The results of the Entity for the year ended June 30, 2023, are set out on page 1 to page 5.

iii) Directors

There was no Board of Directors during the financial year ended June, 30 2023.

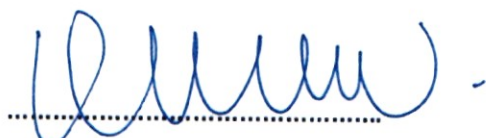
iv) Surplus remission

In accordance with section 54(6) of POCAMLA, the Agency is authorized to retain the balance of its funding at the close of each financial year to ensure continuity of its function due to the sensitivity and strategic nature of the Agency's work. Section 45(2) of the Public Financial Management Act, 2012 allow the Agency to retain the unspent surplus for smooth operation of its activity.

v) Auditors

The office of the Auditor General is responsible for the statutory audit of the Assets Recovery Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 which empowers Auditor General to carry out the audit of the Assets Recovery Agency for the year ended 30th June,2023.

By Order of the Board



CS. Jennifer Gitiri

Corporation Secretary

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

12. Statement of Management's Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 54D (2) of the Proceeds of Crime and Anti Money Laundering Act, require the Director to prepare financial statements in respect of the Assets Recovery Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Director is also required to ensure that the Assets Recovery Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Director is also responsible for safeguarding the assets of the Assets Recovery Agency.

The Director is responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the Agency for and as at the end of the financial year ended on June 30, 2023. These responsibilities include:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the Agency;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Director accepts responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Director is of the opinion that the Assets Recovery Agency's financial statements give a true and fair view of the state of Agency's transactions during the twelve (12) months period ended June 30, 2023, and of the Agency's financial position as at that

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

date. The Director further confirms the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Assets Recovery Agency's Financial Statements were approved on and signed by:



.....
Hon. Shadrack Mose
Solicitor General



.....
Brig. (Rtd.) Alice M Mate
Director Assets Recovery Agency

REPUBLIC OF KENYA

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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 ASSETS RECOVERY AGENCY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Assets Recovery Agency set out on pages 1 to 20, which comprise of the statement of financial position as at

30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly in all material respects, the financial position of Assets Recovery Agency as at 30 June, 2023, 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 Proceeds of Crime and Anti-Money Laundering Act, 2009 (Revised 2022) and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Assets Recovery Agency 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 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

Prior Year Matters

In the previous year's audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved as at 30 June, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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

1. Lack of an Asset Recovery Advisory Board

During the year under review, the Agency operated without an Advisory Board contrary to the provisions of Section 55A of the Proceeds of Crime and Anti-money Laundering Act, 2009 (Revised 2022). As a result, the Agency did not benefit from the services of a Board whose functions as stipulated under Section 55B include advising and overseeing the Agency on the exercise of its powers and performance of its functions, approving asset recovery policies and strategic priorities of the Agency, administration of the Agency, approving the annual budget and approving the annual reports and financial statements and expenditure of the Agency.

In the circumstances, the Agency lacked strategic leadership to guide its operations.

2. Failure to Recruit the Agency's Own Staff

During the year under review, the Agency continued to operate with staff seconded from Ministries despite its human resource instruments having been approved by the State Corporation Advisory Committee vide letter Ref: OP/SCAC 9/37 of 21 October, 2021 which required the Agency to implement an organizational structure, create a staff establishment and develop career guidelines and human resource policy and procedures manuals.

In the circumstances, the Agency may not have operated optimally during the year under review.

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 the Advisory Board

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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Agency's ability to sustain 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 Agency 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.

The Advisory Board is responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how 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 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 Agency's ability 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 Agency to cease to sustain its services.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

05 April, 2024

ASSETS RECOVERY AGENCY**Annual Report and Financial Statements for the year ended June 30, 2023.****14. Statement of Financial Performance for the year ended 30 June 2023**

	Notes	2022-2023	2021-2022
Revenue		Kshs	Kshs
Revenue from Non-Exchange Transactions			
Transfers from Other Governments entities	6	155,280,000	155,280,000
Revenue from Exchange Transactions			
Other Income	7	-	11,000
Total Revenue		155,280,000	155,291,000
Expenses			
Use of Goods and Services	8	74,339,168	83,684,762
Employees Costs	9	76,129,217	61,062,578
Depreciation and Amortization Expense	11	16,417,829	30,772,474
Repairs and Maintenance	12	3,956,353	7,902,424
Confidential Expenditure	10	15,000,000	14,752,037
Total Expenses		185,842,567	198,174,275
Deficit for the Year	21	(30,562,567)	(42,883,275)

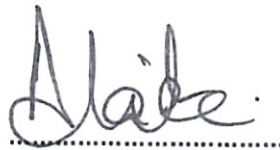
The notes set out on pages 6 to 18 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Shadrack Mose

Solicitor General

Date:



Brig (Rtd) Alice M Mate

Director

Date: 18/03/2024



Nasma Cheboi

ICPAK M/No:16111

Principal Accountant

Date: 18/03/2024

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

15. Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2022
Assets		Kshs	Kshs
Current Assets			
Cash and Cash Equivalents	13	218,418,001	250,858,237
		218,418,001	250,858,237
Non-Current Assets			
Property, Plant and Equipment	14	67,204,128	61,011,459
Total Assets		285,622,129	311,869,696
Current Liabilities			
Trade and other payables	15	4,315,000	-
Provision	16	580,000	580,000
Total Liabilities		4,895,000	580,000
Net Assets			
Accumulated Surplus		280,727,129	311,289,696
Total Net Assets and Liabilities		285,622,129	311,869,696

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:


.....

Shadrack Mose

Solicitor General

Date:


.....

Brig (Rtd.) Alice M Mate

Director

Date: 18/03/2024


.....

Nasma Cheboi
ICPAK M/No:16111
Principal Accountant

Date: 18/03/2024

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.

16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Retained Earnings	Total
As at July 1,2021		
Surplus/deficit for the year	358,825,611	358,825,611
Prior Year Adjustment	(4,573,077)	(4,573,077)
Surplus/deficit for the year	(42,883,275)	(42,883,275)
Prior Year Adjustment Note.17	(79,563)	(79,563)
As at June 30,2022	311,289,696	311,289,696
As at July 1,2022	311,289,696	311,289,696
Decifit for the Year	(30,562,567)	(30,562,567)
As at June 30,2023	280,727,129	280,727,129

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.
17. Statement of Cash Flows for the year ended 30 June 2023

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Transfer from Other Governments	6	155,280,000	155,280,000
Other Income	7	-	11,000
Total		155,280,000	155,291,000
Payments			
Use of Goods and Services	8	74,339,168	83,684,762
Employees Costs	9	76,129,217	61,062,578
Repairs and Maintenance	12	3,956,353	7,902,424
Confidential Expenditure	10	15,000,000	14,752,037
Total Payments		169,424,738	167,401,801
Cash Flows from Operating Activities		(14,144,738)	(12,110,801)
Effects of working capital changes			
Increase/(Decrease) in Payables		4,315,000	(4,166,345)
Increase/(Decrease) in Receivables		-	-
Increase/(Decrease) in Inventory		-	-
Net change in working capital		4,315,000	(4,166,345)
Net Cash Flows from Operating Activities		(9,829,738)	(16,277,146)
Cash Flows from Investing Activities			
Purchase of property, plant & Equipment	14	(22,610,498)	(28,779,861)
Net Flows from Investing Activities		(22,610,498)	(28,779,861)
Net Increase/(Decrease) in Cash and Cash Equivalents		(32,440,236)	(50,469,124)
Cash and Cash Equivalents as at 1 July	13	250,858,237	301,327,361
Cash and Cash Equivalents as at 30 June	13	218,418,001	250,858,237

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	155,280,000	-	155,280,000	155,280,000	155,280,000	100%
Utilization of Retained Surplus				30,562,567	(30,562,567)	-100%
Total Income	155,280,000	-	155,280,000	185,842,567	155,280,000	
Expenses						
Use of Goods and Services	115,780,000	(18,319,000)	97,461,000	74,339,168	681,334	99%
Employee costs	35,500,000	41,319,000	76,819,000	76,129,217	689,783	99%
Repairs and Maintenance	4,000,000	-	4,000,000	3,956,353	43,647	99%
confidential Expenditure	-	15,500,000	15,500,000	15,000,000	500,000	97%
Depreciation and Amortization Expense		-	-	16,417,829	(16,417,829)	-100%
Total Expenditure	155,280,000	38,000,000	193,280,000	185,842,567		
Surplus/Deficit for the period	-		(38,000,000)			

Budget Notes:

- I. The Agency utilized retained surplus of Ksh. 30,562,567 amounting to -100% of the Agency's retention
- II. Depreciaion for the year amounted to Ksh. 16,417,829 for which the Agency had no budget provision .
- III. The difference between original and final budget of Ksh. 38,000,000 is as a result of budget revision during the year.

19. Notes to the Financial Statements

1. General Information

The Assets Recovery Agency is established under the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 (POCAMLA) with the mandate of identifying, tracing, freezing, seizing, and recovery of proceeds of crime.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Agency's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Agency.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The standard will impact how the agency accounts for financial instruments.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p>The standard has no impact on the Agency's financial operations</p>

ASSETS RECOVERY AGENCY**Annual Report and Financial Statements for the year ended June 30, 2023.**

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: <ul style="list-style-type: none">a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	Applicable 1st January 2023 <ul style="list-style-type: none">• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.• IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Notes to the Financial Statements (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The management is in the process of assessing impact of this standard.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The management is in the process of assessing impact of this standard.</p>

- iii. *Early adoption of standards*

The Agency did not adopt any new or amended standards in the financial year 2022/2023.

Notes to the financial statements (continued)

4. 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 Agency and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for the Current FY was approved by the National Assembly on July 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Agency recorded additional appropriations of 38,000,000 on the 2022/2023 budget following the governing body's approval. The Agency budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in page 1 of these financial statements.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Assets are depreciated on a yearly basis and their values recorded at net book values at the end of the financial year. Depreciation is applied on a reducing balance basis.

The assets are depreciated using the following rates:

Motor vehicles	25%
Furniture and Fittings	12.5%
Computer and ICT Equipment	33.3%
Other Assets	20%

d) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

e) Provisions

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) 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.

g) Comparative figures

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

h) 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 June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Tribunal 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. State all judgements, estimates and assumptions made.

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)**6. Transfers from Other Government entities**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfer from Other Governments entities	155,280,000	155,280,000
Total	155,280,000	155,280,000

7. Other Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Sale of tenders	-	11,000
Total	-	11,000

8. Use of Goods and services

Description	2022-2023	2021-2022
	Kshs	Kshs
Refined Fuel,Oil and Lubricants	5,013,181	4,504,766
Water and Sewerage	1,341,864	59,106
Training	3,774,279	2,904,770
Audit Fees	580,000	580,000
Advertising and Publicity	2,677,487	4,068,271
Rent and Rates	24,555,348	32,714,767
Electricity	580,026	314,898
Subscriptions	263,020	575,000
Legal Expenses	38,280	-
Communication Supplies & services	5,519,563	6,302,940
Bank Charges	194,369	188,878
Contracted Services	2,657,464	-
Conferances and Delegations	6,502,902	14,545,643
Sanitary and Cleaning Services	1,418,135	1,908,036
Consumables	1,594,375	10,974,725
General Expenses	17,628,875	4,042,962
Total Expenses	74,339,168	83,684,762

ASSETS RECOVERY AGENCY**Annual Report and Financial Statements for the year ended June 30, 2023.****Notes to the Financial Statements (Continued)****9. Employee Costs**

Description	2022-2023	2021-2022
	Kshs	KShs
Travel,accomodation, Subsistance and other Allowance	74,605,593	59,363,156
Salaries and wages-Stipends	1,523,624	1,699,422
TOTAL	76,129,217	61,062,578

10. Confidential Expenditure

Description	2022-2023	2021-2022
	Kshs	KShs
Confidential Expenditure	15,000,000	14,752,037
Total	15,000,000	14,752,037

11. Depreciation and amortization Expense

Description	2022-2023	2021-2022
	KShs	KShs
Property, Plant and Equipment	16,417,829	30,772,474
Total	16,417,829	30,772,474

12. Repairs and Maintenance

Description	2022-2023	2021-2022
	KShs	KShs
Equipment	169,618	-
Motor Vehicles	3,786,735	7,902,424
Total	3,956,353	7,902,424

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

Notes to the Financial Statements**13. Cash and Cash Equivalent**

	2022-2023	2021-2022
Description	Kshs.	Ksh.
Current accounts	218,418,001	250,858,237
Total	218,418,001	250,858,237

Detailed Analysis of Cash and Cash Equivalent

Financial institution	Account number	2022-2023	2021-2022
		Kshs.	Ksh.
Current account			
Kenya Commercial Bank (Recurrent)	1210028794	216,331,197	248,770,368
Kenya Commercial Bank (Confidential)	1248074947	2,086,804	2,087,869
Total		218,418,001	250,858,237

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.
14. Property, Plant and Equipment

	Motor vehicles 25% Kshs	Furniture and fittings 12.5% Kshs	Computers 33.3% Kshs	other assets 20.0%	Capital work in progress	Total Kshs
As At 1 July (2021)	37,836,350	35,833,937	43,781,102	1,048,800	-	118,500,189
Additions	-	2,359,122	5,254,547	-	21,164,321	28,779,990
Disposals	-	-	-	-	-	-
As at 30th June (2022)	37,836,350	38,193,059	49,035,649	1,048,800	21,164,321	147,278,179
As at 1st July 2022	37,836,350	38,193,059	49,035,649	1,048,800	21,164,321	147,278,179
Additions	-	-	670,000	-	21,940,498	22,610,498
Disposals	-	-	-	-	-	-
As at 30th June (2023)	37,836,350	38,193,059	49,705,649	1,048,800	43,104,819	169,888,677
Depreciation And Impairment						
At 1 July (2021)	18,918,175	8,958,484	29,158,214	209,760	-	57,244,633
Depreciation	9,459,088	4,774,132	14,579,107	209,760	-	29,022,087
As At 30th (2022)	28,377,263	13,732,617	43,737,321	419,520	-	86,266,721
At as 1st July 2022	28,377,263	13,732,617	43,737,321	419,520	-	86,266,720
Depreciation	9,459,087.5	4,774,132.4	1,974,849	209,760.0	-	16,417,829
As at 30th June (2023)	37,836,351	18,506,749	45,712,170	629,280	-	102,684,549
Net Book Values						
As at 30th June (2022)	9,459,087	24,460,442	5,298,328	629,280	21,164,321	61,011,459
As at 30th June (2023)	-	19,686,310	3,993,479	419,520	43,104,819	67,204,128

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost Kshs	Normal annual depreciation charge Kshs
Motor Vehicles	37,836,350	9,459,088
Computers	43,781,102	14,579,107
Total	81,617,452	24,038,195

15. Trade and other Payables

Description	2022-2023 Kshs	2021-2022 Kshs
Retention	4,310,481	-
Other Payables	4,519	-
Total trade and other payables	4,315,000	-

16. Provisions

Description	2022-2023 Kshs	2021-2022 Kshs
Audit Fees	580,000	580,000
Total Provision	580,000	580,000

17. Prior year adjustment in the Statement for changes in net assets

The statement of financial position under property plant and equipment in the audited financial report for the financial year 2021/2022 reflects an amount of Ksh. 61,091,022 instead of a recasted amount of Ksh.61,011,459 resulting to a variance of ksh.79,563 which was an error that has now been corrected in the statement of changes in net assets.

18. Events after the Reporting Period

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

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

19. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Office of the Attorney General and State Department for Justice. Its ultimate parent is the Government of Kenya.

20. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

21. Disclosures

I. Retention of Unspent Balance

The deficit balance of Ksh. 30,562,567 Was as a result of utilization of retained surplus from the financial year as per POCAMLA, 2009. In accordance with the section 54(6) of the Act the receipts, earnings or accounts of the funding and balance of the funding at the close of each financial year, shall not be paid into the consolidated fund, but shall be retained for the purpose of the Agency.

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

22. Appendices


Appendix I: Implementation Status of Auditor-General’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1. Failure to disclose forfeited assetsrecovered	The Agency did not disclose forfeited assets.	The Agency has disclosed the forfeited assets through preparation of the Criminal Assets Recovery Fund for the period from 2018/2019 to 2022/2023.	Awaiting parliamentary clearance.	30 th June 2024
2. Non-Establishment of Criminal Assets Recovery Fund	The Agency did not establish the criminal assets recovery fund as required by section 109 of Proceeds of Crime and Anti-Money Laundering Act, No.9 of 2009.	<p>Section 109 of POCAMLA provides for the establishment of the Criminal Assets Recovery Fund which shall consist of monies and properties derived from the fulfilment of the forfeiture orders.</p> <p>Section 113(1) of POCAMLA further provides for the Cabinet Secretary for the National Treasury to prescribe, by way of regulations, matters in connection with the administrative operations of the Fund; and the utilization of properties and monies standing to the credit of the Fund.</p> <p>Consequently, the Proceeds of Crime and Anti-money Laundering (Criminal Assets</p>	Resolved	30 th June 2024

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Recovery Fund) Regulations were developed and published in the Gazette No. 151 of 2023 on 6 th October 2023 and approved by Parliament on 7 th December 2023.As a result, the CARF is now operational.		
3. Non-Submission of Financial Statements	Management did not prepare and submit for audit separate financial statements of the fund for a period of 10 years the period	The Agency prepared and submitted the Criminal Assets Recovery Fund financial statements for the priod 2018/2019 to 2022/2023.	Awaiting clearance from Parliament	30 th June 2024
4. Failure to update forfeited assets register	The Assets Register provided lacked key details	The Agency has updated the Forfeited Assets Register to include; subsequent updates to valuation, and a unique identifier.	Awaiting clearance from parliament	30 th June 2024



Brig (Rtd.) Alice Mate

Director Assets Recovery Agency

Date: 18/03/2024

ASSETS RECOVERY AGENCY
Annual Report and Financial Statements for the year ended June 30, 2023.

Appendix II: Projects Implmented By Assets Recovery Agency

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)

Status of Project Completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

III: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development /Others	Total Amount - KES	Statement of Financial Performance	Where recorded/Recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
National Treasury	17.08.2022	Recurrent	38,820,000	38,820,000	-	-	-	-	38,820,000
National Treasury	01.11.2022	Recurrent	38,820,000	38,820,000	-	-	-	-	38,820,000
National Treasury	30.01.2023	Recurrent	38,820,000	38,820,000	-	-	-	-	38,820,000
National Treasury	26.04.2023	Recurrent	38,820,000	38,820,000	-	-	-	-	38,820,000
Total			155,280,000	155,280,000	-	-	-	-	155,280,000

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

Appendix IV: Inter Entity Confirmation Letter

Confirmation of amounts received by Assets Recovery Agency as at 30 th June 2023							
Serial Number	Date Disbursed	Amounts Received by SC (KShs) as at 30th June (Current FY)				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
1	17.08.2022	38,820,000	NIL	NIL	38,820,000	NIL	38,820,000
2	01.11.2022	38,820,000	NIL	NIL	38,820,000	NIL	38,820,000
3	30.01.2023	38,820,000	NIL	NIL	38,820,000	NIL	38,820,000
4	26.04.2023	38,820,000	NIL	NIL	38,820,000	NIL	38,820,000
Total		155,280,000			155,280,000		155,280,000

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name XASMA CHEBOI Sign  Date 18/08/2024

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

Annex V: Reporting of Climate Relevant Expenditures

Project name	Project Description	Project activities					Source of Funds	Implementing Partners
			Q1	Q2	Q3	Q4		

ASSETS RECOVERY AGENCY

Annual Report and Financial Statements for the year ended June 30, 2023.

Annex VI: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments