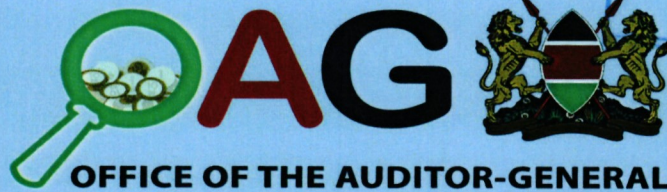


REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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CLERK-AT
THE-TABLE:

MAJORITY MHP

S KAZANNA

THE AUDITOR-GENERAL

ON

**UNCLAIMED FINANCIAL ASSETS
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2021**



Unclaimed Financial Assets Authority
Receive.Safeguard.Reunite

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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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 first 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 2021 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.	Ag Corporation Secretary/Head of Legal services	Godfrey Wambugu

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

Board of Directors of the Authority

	Mr Richard Kiplagat – Chairman of the Board of Directors Richard is the Group Director 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. He has facilitated panel discussions on a wide range of subjects. He is particularly passionate about unleashing the potential of a more integrated and collaborative continent. He advocates 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 also sits on the Board of Brand Africa, GearBox, Aga Khan University Advisory committee, Heart Attack Concern Kenya, Akiba Group of Schools and ICDC. Born in 1969, Richard studied Economics and Political Science at the University of Toronto, Canada. He was appointed to the Board of Directors on 25th April 2020 and subsequently elected Board Chair by the Directors on 17th May 2020.
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Hon. Amb. Ukur Yatani Kanacho - Cabinet Secretary, The National Treasury, Non-Executive Director

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

In January 2018, he was appointed the Cabinet Secretary for Labour and Social Protection. 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. 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). In addition, he was 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.

Born in 1967, Hon. Amb. Yatani was appointed Cabinet Secretary, The National Treasury, in January 2021.



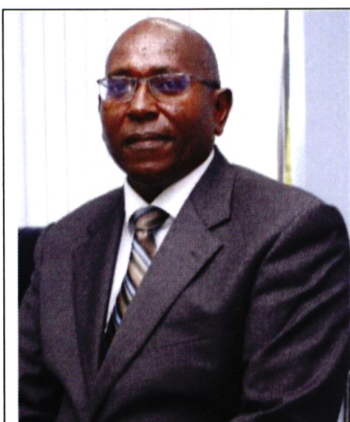
Mr. Daniel M. Mutua

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 and 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, The 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. He 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 1959, 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 reappointed in May 2020 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 20 September 2018 for a period of three years which was renewed on 6 October 2021 for a further period of three years.
	Mr. Peter Ng'ang'a Kanyua - Non-Executive Director 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). 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. Peter received his undergraduate degree from the Baruch College, City University of New York in Finance and Economics. Born in 1966, Peter was appointed as a member of the Board in 20 September 2018 for a period of three years was renewed on 6 October 2021 for a further period of three years.
	FA John K. Mwangi- CEO& Managing Trustee Mr. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund. 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. 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. 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. Born in 1977, Mr Mwangi was appointed as the CEO & Managing Trustee on 1 March 2020.

Management team

Name	Designation
FA John K. Mwangi 	Chief Executive Officer& Managing Trustee Mr John K. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund. Prior to his appointment as CEO and Managing Trustee, Mr. John Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA since April 2015. Mr Mwangi was appointed as the CEO & Managing Trustee in March 2020.
Mrs Caroline C. Chirchir 	Manager Human Resource& Administration 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. Caroline also acted as CEO of UFAA following appointment on 1st November 2018 until 28th February 2020. 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.
Mr Godfrey Wambugu 	Acting Corporation Secretary & Manager Legal Services 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. 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 2021.
Mr Francis M. Muchina 	Manager, ICT Francis is responsible for management of the Unclaimed Assets database and planning, developing, coordinating and ensuring delivery of the Authority's ICT needs. 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).

Name	Designation
CPA Pius K. Kimutai 	Manager Audit, Risk & Assurance 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. 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.
Jack O. Gumboh, PhD 	Manager Procurement 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. Jack joined the Authority in January 2018 after long service in various capacities in Supply Chain management in many public and private sector institutions.
Beatrice Chelangat 	Acting Manager Unclaimed Financial Assets Line 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. 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 2020.
CPA Henry T. Nyegenye 	Manager Finance & Accounting 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. 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.

Chairman's statement

I am pleased to report that the Unclaimed Financial Assets Authority (UFAA or "Authority") has come of age in implementing her mandate. In line with the growth strategy envisaged by the strategic plan 2018-2023 the Authority has embarked on growing the fund and ensuring enhanced reunification of assets with their rightful owners.

The Board recognizes the great role played by UFAA in the financial sector. This, in particular is in ensuring resources are not held as abandoned, but rather made available to support social development initiatives both at the household and national level. The key highlight of the reunification agenda has been on encouraging management to adopt mechanisms that will ensure we bring reunification services to the people. This is in line with the constitution that requires effective decentralization of services for national government entities. Besides, we have played our advisory role to the cabinet secretary, The national treasury in anchoring policy direction through a comprehensive national policy on unclaimed assets.

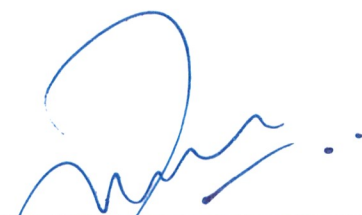
On the legislative front, we have held liaison meetings with the national assembly special funds committee with the key focus of ensuring that challenges to reunification due to legislation are appreciated and addressed. Being a regime that is new within the region, many lessons have been learnt during implementation of the Unclaimed Financial Assets Act, 2011 that need legislative measures so as to be addressed.

The Board also focused on ensuring that the strategic plan 2018-23 is aligned to current realities and does not remain an abstract document. A mid-term review of the strategic plan was therefore undertaken in which valuable lessons were learnt and the strategic plan 2018-23 was updated with particular focus on ensuring technology and stakeholder engagement are central in the discharge of our mandate.

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.

Staff capacity challenges have continued to hamper effective service delivery. We however acknowledge the support so far given by National Treasury in ensuring that this challenge is addressed. The Board will endeavour to ensure that UFAA adopts service models that are not only sustainable but also effective in ensuring our stakeholders and the general public is served.

I wish to thank the cabinet secretary, the national treasury for the tremendous support that the Authority continues to receive in the discharge of its mandate. I recognize 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 November 2021

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.

We continue to receive significant support from the National Treasury in our efforts to entrench this regime in the economy. Despite the significant strain on the economy from the COVID-19 pandemic, the Authority received Kshs 112.5 Million as Exchequer grants during the Financial Year. We also received approval from the CS, The National Treasury, to utilize Kshs 714.5 Million from the Trust Fund to support our operations, in line with the Unclaimed Financial Assets Act, 2011. Currently, transfers from the Trust Fund significantly contribute to budgetary funding with approximately 60% contribution.

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 held discussions with the Ministry of Public Service through Huduma Kenya Secretariat (HKS) to facilitate reunification of unclaimed financial assets through the HKS branch networks. Through this program, members of the public will be 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 online through an online platform. We also initiated implementation of the Unclaimed Financial Assets Management System (UFAMS) to automate our claiming process and to enhance our service delivery to the public. This development has been in response to the feedback we have received from our customers to streamline and therefore minimize pain-points along the reunification customer journey.

We also held a Holders' Conference with the twin objective of enhancing compliance with the Act and sharing with the holders on the challenges so far experienced in implementing the Act. Through such mechanisms, UFAA aims to collaborate with holders as primary reunification agents. In addition, this is expected to enhance compliance in remittance of unclaimed assets, while minimizing the imposition of penalties on holders.

The organization reviewed its Strategic Plan 2018-23 to ensure the Plan is aligned to the operating environment in which we operate. Measures aimed at enhancing collection of unclaimed assets and reunification given and the Plan reviewed in line with the operating realities. We will continue to ensure the measures are implemented so that we effectively discharge the mandate bestowed on this institution.

The year under review has seen 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. Despite the challenges posed by the COVID-19 pandemic, which affected the operating environment during the Financial Year, the Authority adopted to the 'new normal' and used the available alternatives to ensure that we attain the mandate of this institution. The major activities that were affected by this pandemic were planned stakeholder engagement forum especially roadshows and county forums that had been planned to be undertaken across the country.

We remain committed to ensuring adherence to the Public Financial Management Act and Regulations, the Public Procurement and Assets Disposal Act and all other legislations that we use in implementing our mandate. 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.

While staff capacity has been a major impediment in implementing our mandate, we appreciate the efforts that the National Treasury has put in place to ensure that the capacity challenge is addressed. We look forward to implementing The National Treasury recommendations on reviewing the staff capacity so that we can ensure UFAA discharges its mandate effectively and sustainably.

Report of the Chief Executive Officer/Managing Trustee (continued)

My sincere gratitude goes to the National Treasury for the support that the Authority has received 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. Finally, I sincerely acknowledged the support from Management and staff as a whole in ensuring that we deliver as per expectations of the citizenry.



FA John K. Mwangi
CEO/Managing Trustee

Date 30 November 2021

REVIEW OF PERFORMANCE FOR FY 2021/2021

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Receive	Objective 1: Enhance holder compliance to ensure receipt of KES 75 billion of unclaimed financial assets by 2023	• Holders compliance audits • Holders declaration & surrender of Unclaimed Financial Assets	• Conduct 25 holders compliance audits • Collect KES 4.6 B in cash unclaimed financial assets from holders	• Process delays arose from litigation instituted by ICPAK. 23 were successfully awarded, following out-of-court settlement. • 78.90% achievement of target realized (i.e. KES 3.63 billion of unclaimed financial assets (UFAs) was collected). Enhancement of cash collections of UFAs from holders to be scaled-up through enforcement efforts, upon closure of holders audits.
Pillar 2: Safeguard	Objective 2: Strengthen accountability and sustainability in safeguarding unclaimed financial assets	• Investment rate of return • Budget funding and absorption	• Investment income of KES 1.5 B • 100 % Budget funding and absorption	• 101% achievement realized on ROI on investing activities (KES 1.516 billion was realized). • Budget was fully funded 100% though budget utilization stood at 50.1% in 2021/21 FY.
Pillar 3: Reunite	Objective 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	• Process and pay claims amounting KES 664 Million • Reunite 5,140 claimants • Reunify 5.6 Million units of shares	• 46.37% achievement of target realized (KES 307.91 Million was realized). Reunification efforts to be continually improved. • 64% achievement of target posted 3,314 claimants reunified. • 203.21% achievement of target attained - 11.38 Million units of shares were reunified.

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.

As per the Unclaimed Financial Assets Act 2011, the Board consists of six (6) non-executive members and the Chief Executive Officer. As at 30 June 2021, the following served as members of the Board of Directors:

Name	Position
Richard Kiplagat	Chair
Hon. Ambassador Ukur Yatani	Member, CS The National Treasury
Daniel Mutua	Alternate Member
Jacqueline Oyuyo	Member
Hon. Thomas Mwadeghu	Member
Peter Kanyua	Member
Gabriel Njenga	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 2021 to 30 June 2021

Full and Special Board meetings attendance

Name	Meetings	Attended	Absent
Richard Kiplagat	5	5	-
Daniel Mutua	5	5	-
Gabriel Njenga	5	5	-
Jacqueline Oyuyo	5	5	-
Hon. Thomas Mwadeghu	5	5	-
Peter Kanyua	5	5	-

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. Peter Kanyua	Chair
Daniel Mutua	Member
Gabriel Njenga	Member

Finance and Human Resource Committee Meetings attendance

Name	No. of Meetings	Meeting attended	Meetings absent
Hon. Peter Kanyua	5	5	-
Daniel Mutua	5	5	-
Gabriel Njenga	5	5	-

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
Hon FCPA Thomas Mwadeghu	Chair
Daniel Mutua	Member
Jacqueline Oyuyo	Member

Audit and Risk Committee Meeting attendance

Name	Meetings	Attended	Absent
Hon FCPA Thomas Mwadeghu	4	4	-
Daniel Mutua	4	4	-
Jacqueline Oyuyo	4	4	-

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
Jacqueline Oyuyo	Chair
Gabriel Njenga	Member
Peter Kanyua	Member

Technical and Investment Committee Meeting attendance

Name	Meetings	Attended	Absent
Jacqueline Oyuyo	4	4	-
Gabriel Njenga	4	4	-
Peter Kanyua	4	4	-

Management discussion and analysis

Operational and financial performance

The Authority realized a total of KES 838,825 million in revenues for the financial year ended 30 June 2021. This includes KES 112.5 Million 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 KES 714.1 million, which the Cabinet Secretary, approved for the Authority to utilize from the Trust Fund. The figure below indicates total funding from FY 2016/17 and the approved transfers from the Trust Fund. This shows that currently about 60% of the budget is funded by approved transfers from the Trust Fund.

Other revenues are KES 8.5 million reimbursement of audit fees utilized on compliance audits and KES 3.6 million received from call account deposits.

Budget performance

Budget utilization stood at 50.1% 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.

Compliance with statutory requirements

The Authority has continued to discharge its mandate in managing the Fund within the law. Compliance and re-unification processes and initiatives are carried out in line with the Unclaimed Financial Assets Act and Regulations, and approved policies.

Financial management and processes are undertaken as per provisions of the PFM Act and Regulations and other relevant GoK guidelines on financial management in State Corporations. Also, procurement for goods and services and employment and labour practices are undertaken in compliance to the Public Procurement and Asset Disposal Act, 2015 and Regulations 2021, the HR Policy and applicable employment laws and regulations respectively.

Key projects and investment decisions the entity is planning/implementing

The key projects undertaken in FY 2021/21 are implementation of the Unclaimed Financial Assets Management System (UFAMS), with a target 'go live' period of December 2021. With the launch of this system, it is expected that claims processing for both cash and non-cash assets, including submission by claimants will be greatly enhanced. In addition, this will see automation of financial accounting and management for the Trust Fund, which has been manual since inception, thus enhancing efficiency and timeliness in reporting. During the year under review, the Authority also engaged Huduma Kenya Secretariat with the objective of developing of a collaborative arrangement for facilitating UFAA services across the country. This is in line with the Constitutional requirement that requires National Government institutions to ensure their services.

Major risks facing the entity

The major risk still facing the entity continues to be limited staff capacity, which not only limits effectiveness in operations but also creates a challenge in enforcement of controls in operations. The National Treasury organization submitted a reviewed organization structure in line with the National Treasury recommendation for approval. The Authority utilizes consultancy services to try and address capacity gaps, but this also poses a challenge due sustainability questions and information security concerns. The COVID-19 pandemic poses a significant risk in the operating environment, in particular with regard to the compliance efforts of the holders, stakeholder engagement initiatives and even re-unification efforts.

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 amounts were 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

i. Sustainability Strategy and Profile

The Authority reviewed its Strategic Plan 2018-2023. The reviewed Plan has reiterated sustainability in operations as enshrined in the National Values and Principles of Governance. This is especially in embracing partnerships and collaborations in discharging our mandate. The Authority is currently engaged in discussions with Huduma Kenya Secretariat to enhance reunification services across the country without the need to open branches.

In addition, challenges posed by COVID-19 pandemic in the global economy have particularly challenged physical stakeholder engagement mechanisms, creating greater need for adoption of technology in stakeholder engagement. This also poses a challenge in information security and the added need to embrace sustainable technological solutions.

ii. Environmental performance

The Authority has an Occupation, Safety and Health (OSH) Committee that is mandated to review and recommend sustainable environmental management programmes at the work place.

At the national level, and 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. During the year under review, the Authority has been maintaining the trees planted and adopted in Ngong Forest.

iii. 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.

iv. Market place practices

a) Covid-19 Pandemic

The Authority has continued to adhere to government guidelines in response to the Presidential declaration of the COVID-19 pandemic in the country.

b) Responsible Supply Chain Relations

With regard to management of outsourced services, the Authority has a Project Manager who is mandated to ensure that for each service, contractual obligations are met. This is with a view to ensuring value for money for all consultancies that are engaged. The Project Manager has among other roles, an obligation to report to Management on delivery of contractual requirements for each outsourced service.

c) Corruption Prevention

To address corruption, a Corruption Prevention Committee (CPC) has been put in place and two (2) Integrity Officers trained by the Ethics and Anti-Corruption Commission (EACC). Further, the Board of Directors approved a Witness Protection Policy, which addresses measures on how to report issues of concern without compromising the safety of witnesses.

d) Customer Relationship Management

To address customer complaints and suggestions, the Authority submits quarterly reports to the Commission on the Administration of Justice (Office of the Ombudsman), which among others, shows how customer complaints are addressed. Further, the Authority procured and implemented a Call Management System to ensure efficiency in managing customer calls. Priority will now focus on training staff who directly handle customers to ensure they are adequately equipped to address customer needs.

v. Corporate Social Responsibility (CSR)

The Authority participated in International Women's Day (IWD) by offering part sponsorship of the event and creating awareness to the participants on Unclaimed Financial Assets. This was during the event held to celebrate International Women's Day (IWD) in Nairobi.

In addition, the Authority held education and awareness forums for widows in Kajiado and Nairobi in collaboration with Come Together Widows and Orphans Organization (CTWOO). This is in view of the fact that Widows and orphans remain the most vulnerable members of our society due to lack of information on assets owned by their benefactors. Discussions are also ongoing with the Ministry of Public Service on putting in place sustainable strategies to implement support mechanisms that are in line with the mandate of the Authority.

Directors' report

The Directors submit their report together with the audited financial statements for the year ended which show the state of the Authority's affairs.

Principal activities

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

Results

The results of the entity for the year ended 30 June 2021 are set out on page 24 to 28.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. Budget performance and absorption indicates a balance of Kshs 509.6 Million. The entity will carry forward these funds to FY 2021-22 to facilitate implementation of activities, in particular relating to decentralization of services in conjunction with Huduma Kenya Secretariat.

Auditors

The Auditor General is responsible for the statutory audit of Unclaimed Financial Assets Authority. In accordance with Sections 23 of the Public Audit Act, 2015 which empowers the Auditor General to outsource other auditors to carry out the audit on his behalf, PricewaterhouseCoopers LLP were appointed as the auditors of Unclaimed Financial Assets Authority to conduct the statutory audit for the year ended 30 June 2021.

By Order of the Board



Godfrey Wambugu
Acting Corporation Secretary & Manager Legal Services
Unclaimed Financial Assets Authority

Date: 30 November 2021

Statement of directors' responsibilities

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

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

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

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

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

The Authority's financial statements were approved by the Board on 30 November 2021 and signed on its behalf by:



FA John Mwangi
Chief Executive Officer



Richard Kiplagat
Chairman, Board of Directors

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Unclaimed Financial Assets Authority (the "Authority") set out on pages 24 to 47 which comprise the statement of financial position at 30 June 2021 and the statements of financial performance, changes in net reserves, cash flows and comparison of budget and actual cash amounts for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Authority at 30 June 2021, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards and the requirements of Section 46 of the Unclaimed Financial Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act.

Basis for opinion

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

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

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

Other information

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair in accordance with International Public Sector Accounting Standards and the requirements of Section 46 of the Unclaimed Assets Act, Section 81 of the Public Finance Management Act, Revised 2015 and Section 14 of the State Corporations Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the Directors for the financial statements (continued)

In preparing the financial statements, the Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

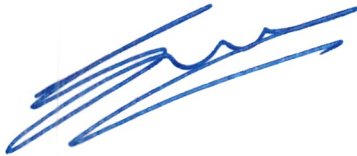
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



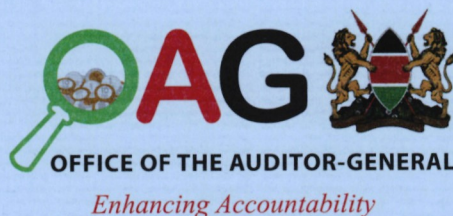
CPA Stephen Ochieng' Norbert's, Practising Number P/1819
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

30 November 2021

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED FINANCIAL ASSETS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

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 Government achieves value for money and that such funds are applied for 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 controls, 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

The accompanying financial statements of Unclaimed Financial Assets Authority set out on pages 24 to 48, which comprise of the statement of financial position as at

30 June, 2021, statement of financial performance, statement of changes in net reserves, statement of cash flows and statement of comparison of budget and actual performance for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers LLP 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, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Unclaimed Financial Assets Act, 2011 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 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

1. 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 the assets with the beneficiaries from a low of less than 1% in 2017, the rate is still significantly low and stood at 4% as at 30 June, 2021. Management has attributed the slow pace of reunification to the following factors:

- i) Non-differentiated claim process prescribed in the law which discourages low value claims due to the cost implications;
- ii) Regulatory regime that prescribes forms which favour physical delivery of documents by claimants and manual processing;
- iii) Nature of unclaimed assets where tracing and location of rightful owners takes time;

- iv) Low staff capacity- as at 30 June, 2021, the Authority had thirty two (32) staff to handle operations countywide;
- v) Low awareness levels by beneficiaries; and,
- vi) Many receipts of very small amounts without any provision or mechanism to donate, among other factors.

The above factors do not adequately support an effective reunification process. Management has however, indicated that it has submitted a proposal to The National Treasury for the amendment of the Regulations as well as strengthening the staff capacity through recruitment.

In the circumstances, the Authority is not meeting its mandate of tracing unclaimed assets and reunifying them with the beneficiaries in an efficient and effective manner.

2. Budgetary Control and Performance

The statement of comparison of budget and actual performance reflects final receipts budget and actual on comparable basis of Kshs.1,011,080,000 and Kshs.1,019,705,000 respectively resulting to an over-collection of Kshs.8,625,000 or 1% of the budget. Similarly, the Authority expended a total of Kshs.506,511,000 against an approved budget of Kshs.1,011,080,000 resulting to an under-expenditure of Kshs.504,569,000 or 50% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Other Information

Management is responsible for the other information, which comprises key entity information and management, Chairman's statement, report of the Chief Executive Officer/Managing Trustee, review of performance, statement of corporate governance, Management discussions and analysis, corporate social responsibility statement, Director's report and statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

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 matter 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

As previously reported, the Authority continues to significantly rely on consultants in various areas. During the year under review, expenditures amounting to Kshs.143,615,000 was incurred on consultancy services representing 50% of the total administrative expenditure. The consultancies were incurred in areas of holder's audits, contracted technical services, systems and software support and contracted professional services as shown below;

Consultancy Services	Amount (Kshs)
Holders' Audits	78,218,000
Contracted technical services	14,365,000
Systems and software support	23,192,000
Contracted professional services	27,840,000
Total	143,615,000

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 the Board of Directors

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.

The Board of Directors is responsible for overseeing the Authority'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 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 March, 2022

Statement of financial performance

	Notes	Year ended 30 June	
		2021 Shs '000	2020 Shs '000
Revenue from non-exchange transactions			
Government grants - recurrent		112,500	149,900
Government grants – capital funding		-	50,000
Transfer from Trust Fund	4	714,100	458,300
Revenue from exchange transactions			
Finance income	5	3,683	4,552
Other income	6	8,542	13,173
Total revenue		838,825	675,925
Operating expenses			
Staff costs	7	134,891	134,503
Board expenses	8	11,899	13,558
Administrative expenses	9	285,301	350,546
Depreciation	13	14,471	23,436
Total operating expenses		446,562	522,043
Surplus for the year		392,263	153,882

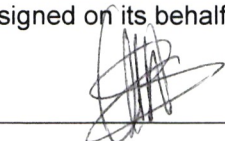
The notes on pages 29 to 47 are an integral part of these financial statements.

Statement of financial position

	Notes	As at 30 June 2021 Shs '000	2020 Shs '000
ASSETS			
Current assets			
Cash and cash equivalents	10	145,954	180,050
Receivables and prepayments	11	721,238	344,130
Inventories	12	1,271	1,184
		868,463	525,364
Non-current assets			
Motor vehicles and equipment	13	39,518	33,596
Intangible assets	14	54,027	-
Staff house and car loan scheme	15	249,610	249,610
		343,155	283,206
Total assets		1,211,618	808,570
Current liabilities			
Payables, accruals and provisions	16	205,483	194,698
Net reserves		1,006,135	613,872
Total net reserves and liabilities		1,211,618	808,570

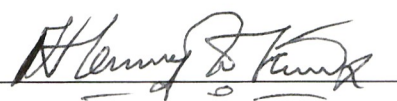
The notes on pages 29 to 47 are an integral part of these financial statements.

The financial statements on pages 24 to 47 were approved for issue by the Board of Directors and signed on its behalf by:



FA John Mwangi
Chief Executive Officer

Date: 30 November 2021



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

Date: 30 November 2021



Richard Kiplagat
Chairman of the Board

Date: 30 November 2021

Statement of changes in net reserves

	Year ended 30 June	
	2021	2020
	Shs '000	Shs '000
Accumulated surplus		
At start of the year	613,872	459,990
Surplus for the year	392,263	153,882
At end of the year	1,006,135	613,872

The notes on pages 29 to 47 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 30 June 2021 Shs'000	Year ended 30 June 2020 Shs'000
Cash flows from operating activities			
Surplus			
Adjustment for:		392,263	153,882
Depreciation	13	14,471	23,436
Operating surplus before changes in working capital		406,734	177,318
Increase in receivables and prepayments		(377,108)	(148,942)
(Increase)/decrease in inventories		(87)	422
Increase in payables, accruals and provisions		10,785	40,594
Net cash from operating activities		40,324	69,392
Purchase of equipment	13	(20,393)	(15,987)
Intangible assets	14	(54,027)	-
Net cash used in investing activities		(74,420)	(15,987)
Increase in cash and cash equivalents		(34,096)	53,405
Cash and cash equivalents at start of year		180,050	126,645
Cash and cash equivalents at end of year	10	145,954	180,050

The notes on pages 29 to 47 are an integral part of these financial statements.

Statement of comparison of budget and actual performance

Item	Approved budget 2020-21	Adjustments	Final budget FY 2020-21	Actual FY 2020-21	Performance difference FY 2020-21	Utilisation %	Notes
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000		
Revenue							
Government grants	149,900	(37,400)	112,500	112,500	-	100%	
Carry forward income	180,880	-	180,880	180,880	-	100%	
Finance income	3,600	-	3,600	12,225	(8,625)	340%	(a)
Trust fund income	733,570	(19,470)	714,100	714,100	-	100%	
Total income	1,067,950	(56,870)	1,011,080	1,019,705	(8,625)	101%	
Expenses							
Compensation of employees	258,580	-	258,580	134,891	123,689	52%	(b)
Goods and services	622,470	(65,470)	577,000	271,337	285,663	47%	(c)
Rent paid	37,000	-	37,000	25,863	11,137	70%	(d)
Capital expenditure	149,900	8,600	158,500	74,420	84,080	47%	(e)
Total expenditure	1,067,950	(56,870)	1,011,080	506,511	504,569	50%	
Surplus for the period	-	-	-	513,194	(513,194)		

Notes:

General: The budget was realigned due to budget amendments by The National treasury on the government grant and income from the trust fund.

- (a) The increase in other income resulted from audit fee refunds from the compliance audits concluded in the period.
- (b) The underutilisation of the employees cost was occasioned by delay by The National Treasury to approve UFAA human resource instruments. As such, no additional hiring was done in the period.
- (c) Underutilisation is related to delay in conclusion of compliance audits; ongoing procurement of items at the end of the year; and limited physical engagements on sensitisation and awareness due to covid-19.
- (d) As staff hiring was not done in the period due to delayed approval of human resource instruments, additional space was not acquired as budgeted.
- (e) The underutilisation resulted from delayed completion of works by the contractors.

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

The notes on pages 29 to 47 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 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 original budget for FY 2020-2021 was approved by the National Treasury on 30th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board and/The National Treasury authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The National Treasury reduced approved Exchequer grants by KES 37.4 Million during the Financial Year. The reduction did not have any adverse effects on planned operations.

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 19.

(c) Taxes

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Motor vehicles and equipment

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

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

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

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

(e) Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortisation is determined over the estimated useful life of the assets using the straight-line method of amortisation. The estimated useful lives of intangible asset is defined as 4 years.

UFAA's intangible assets are assumed to have a residual value of zero as intangible assets are not sold or transferred at the end of their useful life. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

(f) 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.

(g) 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)

(h) 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 borrowings

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.

(i) **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.

(j) **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)

(k) 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.

(l) 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 managed by APA insurance 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.

(m) 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.

(n) 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)

(n) 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.

(0) 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, 2021.

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:

	2021 Shs'000	2020 Shs'000
Cash and cash equivalents (Note 10)		
Short term deposit	120,000	161,000
Cash in bank	25,954	19,008
	145,954	180,008

Notes (continued)

3. Financial risk management objectives and policies (continued)

(a) Risks facing the Authority (continued)

i. Credit risk (continued)

	2021 Shs'000	2020 Shs'000
Receivables (Note 11)		
Trust Fund transfer receivable	714,100	322,976
Prepaid rent	4,697	4,697
Supplier advance - Safaricom Limited	80	80
Audit fee receivable – Trust Fund	-	16,098
Staff advances	2,286	279
Receivable from National Treasury	75	-
	721,238	344,130

There were no past due or impaired balances at 30 June 2021 (2020: 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 2021, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Shs 120,000 (2020: Shs. 161,000).

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 2021					
Payables, accruals and provisions	205,483	-	-	-	205,483
At 30 June 2020					
Payables, accruals and provisions	194,698	-	-	-	194,698

(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)

	2021 Shs '000	2020 Shs '000
4 Transfer from the Trust Fund		
Amounts transferred	-	135,324
Transfer receivable	714,100	322,976
	714,100	458,300
5 Finance income		
Interest income on call deposit	3,683	4,552
The Authority invests funds that are not required for immediate use in call deposit at Kenya Commercial Bank.		
	2021 Shs '000	2020 Shs '000
6 Other Income		
Audit fee recovered from holders' audits	8,542	13,173
7 Staff costs		
Salaries and wages	91,311	94,549
Contributions to pensions	7,772	8,292
Housing benefits and other allowances	26,439	21,727
Staff defined contribution- gratuity	9,369	9,935
	134,891	134,503
8 Board expenses		
Chairman's honoraria	1,568	1,020
Directors' allowances	5,548	7,587
Other allowances and expenses	4,783	4,951
	11,899	13,558

Notes (continued)

	2021 Shs '000	2020 Shs '000
9 Administrative expenses		
Rent	25,683	23,376
Consultancy expenses	42,202	18,200
Advertising	-	12,868
Conferences and stakeholders' engagement	11,047	5,148
Workshops and training expenses	9,359	2,671
Tuition fees	1,058	4,045
Other capacity building costs	197	15,523
Domestic and foreign travel expenses	16,788	23,263
Audit fee	4,111	3,879
Catering services	2,458	2,676
General office supplies (stationery)	876	3,279
Computer maintenance and IT related consultancies	23,192	40,289
Telephone expenses	2,347	1,761
Internet connectivity	25	982
Motor vehicle insurance	967	451
Staff medical insurance	11,577	9,946
Electricity	1,618	1,311
Publishing and printing	3,297	7,892
General expenses	382	15
Contracted cleaning and security services	1,320	1,423
Newspapers subscriptions	525	329
Fuel and lubricants	1,258	644
Repairs and maintenance	2,027	248
Employee welfare	2,664	98
Membership to professional bodies	314	578
Bank charges	436	365
Postal services	582	468
Trust Fund management – 9(i)	117,040	152,770
Legal fees	1,188	521
Corporate social responsibility	763	15,527
	285,301	350,546
9 (i) Trust Fund Management		
Trust Fund consultancy services	78,218	89,001
National policy development	-	2,808
Trust Fund advertisements and workshops	30,149	782
Reunification expenses	8,412	-
Enforcement expenses	261	-
	117,040	92,591

Notes (continued)

	2021 Shs'000	2020 Shs'000
10 Cash and cash equivalents		
Short term deposit	120,000	161,000
Cash in bank	25,954	19,008
Cash on hand	-	42
	<u>145,954</u>	<u>180,050</u>
11 Receivables and prepayments		
Trust Fund transfer receivable	714,100	322,976
Prepaid rent	4,697	4,697
Supplier advance - Safaricom Limited	80	80
Audit fee receivable – Trust Fund	-	16,098
Staff advances	2,286	279
Receivable from national treasury	75	-
	<u>721,238</u>	<u>344,130</u>
12 Inventories		
Office stationery	786	870
ICT consumables	485	314
	<u>1,271</u>	<u>1,184</u>

Notes (continued)

13 Motor vehicles and equipment

Year ended 30 June 2021	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	26,830	33,173	86,153	20,167	166,323
Additions	-	18,881	1,512	-	20,393
At end of year	26,830	52,054	87,665	20,167	186,716
Accumulated depreciation					
At start of year	18,932	29,911	73,098	10,786	132,727
Charge for the year	2,633	4,512	4,168	3,158	14,471
At end of year	21,565	34,423	77,266	13,944	147,198
Net Book Value at end of year	5,265	17,631	10,399	6,223	39,518

Notes (continued)

13 Motor vehicles and equipment

Year ended 30 June 2020

Cost

At start of year
Additions

At end of year

Accumulated depreciation

At start of year
Charge for the year

At end of year

Net Book Value at end of year

	Motor vehicles Shs'000	Computers and printers Shs'000	Fixtures and fittings Shs'000	Furniture Shs'000	Total Shs'000
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
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)

16 (a) Contracted staff defined contribution benefit

Description	2021 Shs '000	2020 Shs '000
Balance at the beginning of the year	3,535	20,362
Increase for the period	9,369	9,935
Transfers to the fund manager	(12,904)	(26,762)
Total provisions	-	3,535

16 (b) Accrued leave

Description	2021 Shs '000	2020 Shs '000
Balance at the beginning of the year	-	-
Increase for the period	3,006	-
Total provisions	3,006	-

*In the previous financial year 2019/2020 no leave days were carried forward in accordance with a directive from the government

17 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.

	2021 Shs '000	2020 Shs '000
Salaries and allowances	42,830	41,737
Staff defined contribution	8,610	9,176
National Social Security Fund	19	19
	51,459	50,932

Notes (continued)

17 Related party transactions (continued)

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 gazettment 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.

18 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:

	2021 Shs'000	2020 Shs'000
Falling due within one year	26,088	26,088
Falling due between one and five years	71,742	97,830
	97,830	123,918
Capital commitments	2021 Shs'000	2020 Shs'000
Unclaimed assets financial system	29,304	83,806
Office floor partitions	14,103	19,372
Total	43,407	103,178

Notes (continued)

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

Year ended
30 June 2021
Shs'000

Actual income as per budget and actual statement	1,019,705
Less: Carry forward from reserves	(180,880)

Income as per statement of financial performance	838,825
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Actual expenditure as per budget statement	506,511
Less: Capital expenditure	(74,420)
Add: Depreciation charge	14,471

Expenditure as per statement of financial performance	446,562
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20 Taxation

The directors are in communication with the National Treasury seeking exemption of the Authority from paying corporation tax on non-exchange revenue. The taxes on exchange revenue such as interest on call deposit has been done and consequently, no provision for taxes has been made in these financial statements.

21 Employees

The number of employees at the end of the year was 32 (2020:32)

22 Incorporation

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

23 Ultimate and Holding Entity

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

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Appendix I: Progress on follow up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We nominate responsible Heads of Department to resolve the various issues identified in audits.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Low volume of claims re-unification	This is due to restrictive regulatory requirements, nature of unclaimed assets and capacity constraints; manual processes especially for non-cash assets	G Wambugu, Ag. CS/Manager Legal	Proposal to review of Legislation submitted to The National Treasury	June 2022
	Non-compliance with National Cohesion and Integration Act, 2008	This will be addressed with recruitment and promotions within the Authority, without compromising on fairness and merit.	C Chirchir, Manager HR & Administration	Proposal to enhance staff capacity submitted to The National Treasury	June 2022
	Significant use of Consultants	This is being addressed with ongoing follow up for approval and implementation of the revised capacity requirements for UFAA.	B Chelangat/F Muchina Manager UFAL/Manager ICT	Resolved	Closed
			Caroline Chirchir, Manager HR & Administration	On going	On recruitment
			All HoDs	Ongoing	On addressing capacity constraints

CPA Henry Taabu
Manager Finance & Accounting

Henry Taabu
Date: 30 November 2021

John Mwangi
CEO & Managing Trustee

John Mwangi
Date: 30 November 2021