

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY

REPORT

DATE: 16 NOV 2022

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Mainah Wanjiku

THE AUDITOR-GENERAL

ON

ASSETS RECOVERY AGENCY

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



ASSETS RECOVERY AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2021

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

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

Table of Contents	Page
1. KEY ENTITY INFORMATION AND MANAGEMENT	ii
2. THE BOARD OF DIRECTORS/COUNCIL	iv
3. MANAGEMENT TEAM	iv
4. CHAIRMAN'S STATEMENT	vi
5. REPORT OF THE AGENCY DIRECTOR	vi
7. CORPORATE GOVERNANCE STATEMENT	x
8. MANAGEMENT DISCUSSION AND ANALYSIS	x
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	x
10. REPORT OF THE DIRECTOR	xiii
11. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF ASSETS RECOVERY AGENCY	xiv
12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30, JUNE 2021	15
13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	15
14. STATEMENT OF CHANGES IN NET ASSETS	16
15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	17
16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021	20
17. NOTES TO THE FINANCIAL STATEMENTS	21
APPENDIX	44

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Assets Recovery Agency is established under the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 (POCAML A) with the principal mandate of identifying, tracing, freezing, seizing, confiscating and recovery of proceeds of crime with a view of combating money laundering.

The Agency currently has the following departments; Legal, Investigations, Administration, Supply Chain, and Accounts.

(b) Principal Activities

The principal mandate of the Assets Recovery Agency is to:

- a) Identify and trace proceeds of crime;
- b) Institute court proceedings in freezing, seizure, confiscation, preservation and forfeiture of proceeds of crime;
- c) Manage all preserved and forfeited assets within the provisions of POCAML A;
- d) Co-operate with law enforcement agencies in recovery of proceeds of crime;
- e) Administer the Criminal Assets Recovery Fund established under Section 109 of the Proceeds of Crime and Anti-Money Laundering Act, 2009.

(c) Key Management

The Assets Recovery Agency's day-to-day management is under the following key departments:

- Legal
- Investigations
- Administration
- Supply Chain
- Accounts

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	Col. Alice M Mate
2.	Under Secretary	Mr. Timothy Nderitu
3.	Principal State Counsel	Ms. Jennifer Gitiri
4.	Principal Supply Chain Management Officer	Mr. Kennedy Ogwengo
5.	Principal Accountant	Mr. Bonface P. O. Dimba

(e) Fiduciary Oversight Arrangements

The Agency had key fiduciary oversight arrangements covering:

- Budget Implementation Committee
- Training Committee
- Ad hoc Procurement and Disposal Committees
- Project Implementation Committee
- Other oversight arrangements

(f) Assets Recovery Agency Headquarters

Assets Recovery Agency
22nd Floor UAP Towers
P.O. Box 52420-00100
NAIROBI.

(g) Entity Contacts

Telephone: (254) 020 2020282 Mobile 0768024337

E-mail: info@assetsrecovery.go.ke

Website: www.assetsrecovery.go.ke

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

(h) Entity Bankers

Kenya Commercial Bank-KICC Branch
KICC Building, Harambee Avenue
P.O Box 46950-00100
NAIROBI

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS/COUNCIL

The Agency did not have a board of directors during the period.

3. MANAGEMENT TEAM

MANAGEMENT TEAM



**BRIG. ALICE M MATE
DIRECTOR**



**TIMOTHY NDERITU
UNDER SECRETARY**



**JENNIFER GITIRI
PRINCIPAL STATE COUNSEL**



**BONFACE P. O. DIMBA
PRINCIPAL ACCOUNTANT**



**KENNEDY OGWENGO
PRINCIPAL SUPPLY CHAIN MANAGEMENT
OFFICER**

4. CHAIRMAN'S STATEMENT

The Agency did not have a Board during the period.

5. REPORT OF THE AGENCY DIRECTOR

The Agency undertook the following activities during the FY 2020/2021

- Initiated several investigations and successfully identified, traced, seized, preserved, and forfeited assets that were proceeds of crime and money laundering. During FY 2020/2021, the Agency investigated cases of assets worth Kshs 2.0 Billion, preserved assets worth Kshs. 685 Million and assets worth Kshs. 136,221,763 were forfeited to the State;
- Managed all preserved and forfeited assets within the provisions of POCAMLA;
- The Agency was categorized as a State Corporation under the State Corporations Act;
- Conducted sensitization workshops for investigation and prosecution agencies, to enhance knowledge on financial investigations and money laundering leading to recovery of proceeds of crime.
- The technical capacity of members of staff in various relevant areas of management and leadership, procurement, accounts, investigation and administration was enhanced;
- Extended the term of seven interns under the Public Service Internship Programme who are currently deployed to the Agency for another year to enhance financial analysis in the Agency;
- Participated in regional and international forums on asset recovery matters and reporting mechanisms.
- Acquired additional office space at UAP Towers towards the projected expansion and full operationalization in the F/Y 2021/2022;
- Procured goods and services for achievement of the Agency's mandate.

The Agency intends to undertake the following activities during the FY 2021/22

- Identify and trace proceeds of crime;
- Institute seizure and forfeiture proceedings;
- Manage preserved and recovered assets;
- Establish the Assets Recovery Agency Advisory Board once the amendments to POCAMLA are enacted;

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

- Partition, furnish and fit out for use the additional office space;
- Build capacity of staff on emerging legal issues on asset recovery;
- Conduct staff trainings as per training needs assessment;
- Enhance technical capacity in Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) and financial investigations;
- Conduct sensitization forums for law enforcement agencies, reporting institutions and regulatory authorities on the Proceeds of Crime and Anti-Money Laundering Act
- Participate in regional and international forums on asset recovery and reporting mechanisms.
- Procure and implement the Agency's Enterprise Resource Planning (ERP)
- Formulate and develop the Agency's Strategic Plan and the Service Charter;
- Develop and implement the Agency's website;
- Procure goods and services that aid the Agency in achieving its mandate;
- Ensure staff welfare and safety and comply with MOH/ WHO Covid 19 containment measures;
- Comply and implement all presidential directives that are relevant to the Agency.
- Develop Asset Management Policy



.....
BRIG. ALICE M MATE

DIRECTOR ASSETS RECOVERY AGENCY

Date:

**6. STATEMENT OF THE ASSETS RECOVERY AGENCY'S PERFORMANCE AGAINST
PREDETERMINED OBJECTIVES FOR FY 2020/2021**

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

The Director is also responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the Agency for and as at the end of the financial year ended on June 30, 2021. These responsibilities include:

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

The Director accepts responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Director is of the opinion that the Assets Recovery Agency's financial statements give a true and fair view of the state of Agency's transactions during the twelve (12) months period ended June 30, 2021, and of the Agency's financial position as at that date. The Director further confirms the completeness of the accounting records

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Assets Recovery Agency's financial statements were approved by the Solicitor General on 25/07/ 2022 and signed on its behalf by:



.....
**KENNEDY OGETO, EBS
SOLICITOR GENERAL**



.....
**BRIG. ALICE M MATE
DIRECTOR ASSETS RECOVERY AGENCY**

7. CORPORATE GOVERNANCE STATEMENT

The Agency did not have Board for the period.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Agency through the stewardship of the Director conducted routine management meetings on the operational and financial performance during the period.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

The Assets Recovery Agency is a strategic institution in the fight against corruption, economic crimes and money laundering. The recovery of proceeds of crime plays a key role in achieving the Big-4 Agenda by ensuring that funds stolen from the public are returned and utilized in the programs and activities that improve the livelihood of Kenyans. The Agency has recovered proceeds of crime and this has been a deterrent measure to prevent loss of public funds and ensure economic growth and sustainable development.

ii) Environmental performance

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

iii) Employee welfare

The Agency human resource component is managed by the office of the Attorney General as the full delinking has not been achieved. The Agency conducted the yearly Training Needs Assessment to identify skills and competencies gap in delivering its mandate and career progression and further recommended for the requisite training from the training funds as provided for in the budget.

The Agency performed exceptionally well in the annual performance appraisal system achieving an average score of 100.48% which is exemplary performance.

During the Covid-19 Period the Agency complied strictly with all measures provided for in the executive orders and the guidelines issued by the Ministry of Health in containment of the pandemic.

iv) Market place practices-

a) Responsible competition practice.

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

The Organization is Apolitical owing to the unique operations, however, it implements the Government's agenda and Presidential Decrees/Orders.

Fair competition and respect for competitors is a great value to the Agency. The Agency indiscriminately respects free competitions to all eligible and vetted persons willing to participate in our marketplace processes.

All related activities remain transparent and open except for our security and intelligence projects which disclosure is restricted to vetted vendors only.

As a policy, all employees involved in marketplace practices must comply to all financial regulations, unfair business behaviour towards competitors is a refrain.

b) Responsible Supply chain and supplier relations

As an Agency, our interaction and management of our third party vendors charged with the responsibility of providing the Agency with goods, materials, equipment, works and services is key and the process involves Strategic Planning and Sound Business Management of all level interactions. This leads to execution of contracts with WIN-WIN attributes. As a result, payments to vendors are timely honoured if all contractual obligations are satisfied.

c) Responsible marketing and advertisement

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

d) Product stewardship

Product stewardship is one of the key priorities for the Agency especially being a **Law Enforcement Agency**. In meeting this important objective, the Agency ensures that for non-sophisticated buys; the domestic market must be promoted through purchase of locally manufactured goods, materials and labour. “Buy Kenya Build Kenya”.

The Agency considered market place opportunities to the vulnerable business members of the society (YOUTH, WOMEN & PERSONS LIVING WITH DISABILITIES) who absorb 70% of the Agency procurement opportunities.

Achieving this comprehensive observance of the Agency consumer rights and interest is regarded as economic and democratic growth.

v) Corporate Social Responsibility / Community Engagements

During the financial year, the Agency engaged in sensitisation programmes for law enforcement offices within the Multi Agency Team framework to enhance collaboration and

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

cooperation in the fight against corruption and economic crimes while focusing on achieving the mandate of recovering proceeds of crime.

The Agency also conducted radio station citizen sensitization programs in creating public awareness in the fight against economic crime and recovery of proceeds of crime. This was done in national radio stations and other selected FM stations.

10. REPORT OF THE DIRECTOR

The Director submits this report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Assets Recovery Agency's affairs.

i) Surplus remission

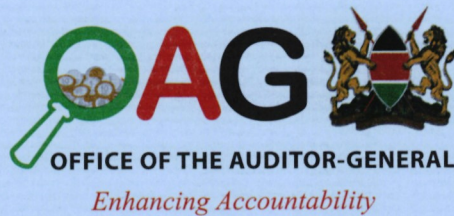
In accordance with section 54(6) of POCAMLA allows the Agency to retain the balance of its funding at the close of each financial year to ensure continuity of its function due to the sensitivity and strategic nature of the Agency's mandate. Further, Section 45(b) of the Public Financial Management Act,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

ii) Auditors

The Auditor General is responsible for the statutory audit of the Assets Recovery Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and Certified Public Accountants can be nominated by the Auditor General to carry out the audit of the Assets Recovery Agency for the year/period ended June 30, 2021 in accordance to Section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ASSETS RECOVERY AGENCY 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 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 under Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Assets Recovery Agency set out on pages 15 to 45, which comprise of the statement of financial position as at

30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Assets Recovery Agency 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 Proceeds of Crime and Anti-Money Laundering (Amendment) Act, 2017 and the Public Finance Management Act, 2012.

Basis for Opinion

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Non- Submission of Financial Statements

Disclosed in Note 18 to the financial statements under disclosures is a balance of Kshs.197,394,334 on preservation deposit and escrow accounts which was to be held in a Criminal Assets Recovery Fund to be established under Section 109 of the Proceeds of Crime and Anti-money Laundering Act, No. 9 of 2009. However, Management did not prepare and submit for audit separate financial statements of the Fund for a period of nine

(9) years since 30 June, 2013 contrary to Section 84 of the Public Finance Management Act, 2012 which requires the Accounting Officer administering a national public fund to prepare and submit the financial statements of the fund at the end of each fiscal period and submit these to the Auditor-General.

In the circumstances, Management was in breach of the law.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Agency'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 Agency to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

30 August, 2022

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

**12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30, JUNE
2021**

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	5	158,462,177	173,790,000
		158,462,177	173,790,000
Revenue from exchange transactions			
Other income	7	1,137,611.00	0
Total revenue		159,599,788	173,790,000
Expenses			
Use of goods and services	8	81,549,967	65,095,697
Employee costs	9	37,993,086	39,253,816
Confidential Expenses	10	4,150,000	8,553,591
Depreciation and amortization expense	15	18,734,961	17,267,167
Repairs and maintenance	11	3,539,716	3,541,491
Contracted services			
Total expenses		145,967,730	133,711,762
Other gains/(losses)			
Surplus before tax		13,632,058	40,078,238
Taxation		0	0
Surplus/(deficit) for the period/year		13,632,058	40,078,238
Remission to National Treasury		0	0
Net Surplus for the year		13,632,058	40,078,238
		13,632,058	40,078,238

Sign.....

**KENNEDY OGETO. EBS
SOLICITOR GENERAL**

Date 25/07/22

Sign.....

**BRIG. ALICE M. MATE
DIRECTOR**

Date 25/07/22

Sign.....

**BONFACE DIMBA
PRINCIPAL ACCOUNTANT**

Date 25/07/22

**Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

13 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	301,327,361	290,808,827
Receivables and prepayment	13	-	210,000
		301,327,361	291,018,827
Non-current assets			
Property, plant and equipment	14	63,083,635	59,155,750
Total assets		364,410,996	350,174,577
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	4,746,345	4,981,024
Provisions			
Total liabilities		4,746,345	4,981,024
Net assets		359,664,651	345,193,553
surplus Opening		345,193,553	305,115,315
Inventory 30/06/2021	18	839,041	0
surplus for 2020/2021		13,632,058	40,078,238
Total Net Assets & Liabilities		359,664,651	345,193,553

The financial statements set out on page 15 to 20 were signed on behalf of Assets Recovery Agency by:

Sign.....



**KENNEDY OGETO. EBS
SOLICITOR GENERAL**

Date.....

25/07/22

Sign.....

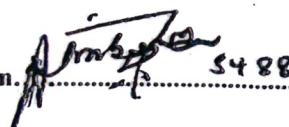


**BRIG. ALICE M. MATE
DIRECTOR**

Date.....

25/07/22

Sign.....



**BONFACE DIMBA
PRINCIPAL ACCOUNTANT**

Date.....

25/07/22

**14. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021**

	Retained earnings	Total
As At July 1, 2020		
Surplus for the year	346,012,393	346,012,393
Surplus for the year	13,632,058	13,632.058
As at June 30, 2021	359,644,451	359,664,451

Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

CASHFLOW STATEMENT	2020-2021	2019-2020
	Kshs.	Ksh.
Cash flows from operating activities		
Surplus	13,632,058.00	40,078,238
Add depreciation of assets	18,734,961	17,267,167
Decrease in receivables(other incomes)	210,000.00	1,477,300
Increase in other income	-	580,000
Decrease in Inventory	839,041	
increase in Payables	-234,679.00	-3,572,054
Net cash flows from operating activities	32,342,340.00	55,830,651
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	-22,662,847	-16,591,717
Net cash flows used in investing activities		-16,591,717
Cash flows from financing activities		
Net cash flows used in financing activities	10,518,533.00	-
Net increase/(decrease) in cash and cash equivalents	10,518,533	39,238,934
Balance c/d	290,808,827	
Cash and cash equivalents at 1 JULY 2020	301,327,361	251,569,893
Cash and cash equivalents at 30 JUNE 2021	301,327,361	290,808,827

Assets Recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Sign.....

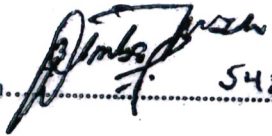

KENNEDY OGETO. EBS
SOLICITOR GENERAL

Date..... **25/07/22**

Sign.....


BRIG. ALICE M. MATE
DIRECTOR

Date..... **25/07/22**

Sign.....
 5488

BONFACE DIMBA
PRINCIPAL ACCOUNTANT

Date..... **25.07.22**

The Financial Statements set out on pages 15 to 20 were signed on behalf the Agency Directors by:

notes set out on pages 21 to 43 form an integral part of these Financial Statements.

Assets recovery Agency
Annual Reports and Financial Statements
For the year ended June 30, 2021.

16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Revenue						
Transfer From Government entities	158,462,178	0	158,462,177	158,462,177	0	
Total income	158,462,178	0	158,462,177	158,462,177	0	
Expenses						
Use of goods and services	39,000,000	0	84,822,177	81,549,967	-3,412,210	96.00%
Employee costs	40,000,000	0	40,000,000	37,993,086	-2,006,914	95.00%
Depreciation	20,000,000	0	20,000,000	18,734,961	-1,265,039	89.48%
Confidential expense	5,000,000	0	5,000,000	4,150,000	-850,000	93.37%
Repairs and maintenance	8,500,000	0	8,640,000	3,539,716	-5,100,284	40.97%
Other payments	0	0	0	0		
Total expenditure	112,500,000	0	158,462,177	145,967,730		91.58%
Other Income	0	0	0	1,137,611		
Surplus for the period			-	13,632,058		

Budget Notes

1. Depreciation for the year could not be achieved because of less purchase occasioned by low expenditure due to covid-19
2. The underutilization of Confidential expense by 17% was due to inadequate staff as the Agency for Asset Tracing and Other covert expenditure.
3. The underutilization of repairs and maintenance was due delayed procurement process of two accident vehicles and effect of Covid-19.

17. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Agency entity is established by and derives its authority and accountability from POCAMLA Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's is established under Section 54 of the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 (POCAMLA) with the mandate of identifying, tracing, freezing, seizing, and recovery of proceeds of crime.

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial</p>

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Standard	Effective date and impact:
	<p>statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

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 each period.

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on *June, 2021*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record additional appropriations for the FY 2020-2021 budget following the governing body's approval.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

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

Computer and ICT equipment	33.3%
Office equipment	20.0%
Furniture and Fittings	12.5%
Motor Vehicles	25.0%

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

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

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

h) Research and development costs

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity 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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity 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:

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

b) 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 Entity determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

j) 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. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding 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 Entity.

k) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

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

m) Contingent assets

The Entity 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 Entity 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.

n) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

o) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

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

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

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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 Entity based its assumptions and estimates on parameters available when the consolidated 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

GOVERNMENT GRANTS			2020-2021	2019-2020
S/NO	DATE	SOURCE	AMOUNT	
1	22.10.2020	STATE LAW OFF A/R EC/0020	39,615,544.00	43,447,500
2	25.11.2020	STATE LAW OFF A/R EC/0020	39,615,544.25	43,447,500
3	04.03.2020	STATE LAW OFF A/R EC/0021	29,615,544.25	43,447,500
4	22.06.2021	STATE LAW OFF A/R EC/0021	49,615,544.25	43,447,500
SUB TOTALS			158,462,176.75	173,790,000

7. Other Income

OTHER INCOME	2020-2021	2019-2020
	Ksh.	
Direct credit	118,560.00	0
Sale of tender	9,000.00	0
Reversed payment	1,010,051.15	0
Total	1,137,611.15	0

8. Use of Goods and Services

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Insurance	40,560	51,000
Bank Charges	128,038	80,759
Communication, Supplies and Services	4,931,836	3,343,218
Advertising, Printing, Stationery and Photocopying	1,961,194	1,653,535
Electricity	356,267	
Water & sewerage	263,754	
Training	4,180,935	5,214,674
Fuel and oil	4,498,560	4,698,406
Conference and Delegations	7,409,130	2,600,968
Legal expenses		3,302,250

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Audit fees	580,000	580,000
Rental	26,933,525	16,715,304
Cleaning Expenses	2,214,276	0
Consumables	1,327,538	1,381,969
Other general expenses	26,724,354	25,473,614
Total General Expenses	81,549,967	65,095,697

9. Employee Costs

	2020-2021	2019-2020
	Kshs.	Kshs.
Domestic Travel	37,993,086	33,039,961
Foreign Travel		6,213,855
Total Employee Costs	37,993,086	39,253,816

10. Confidential Expense

Description	2019-2020	2019-2020
	Kshs.	Kshs.
Confidential	4,150,000	8,553,591
Total Confidential Expenditure	4,150,000	8,553,591

11. Repairs and maintenance

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Vehicles	3,539,716	3,541,491
Furniture and fittings	-	-
Total Repairs and Maintenance	3,539,716	3,541,491

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

12. Contracted Services

Description	2020-2021	2018-2019
	KShs	KShs
Total Use of Goods and services	0	0

13. Cash and Cash Equivalents

Financial institution	Account number	2020-2021	2019-2020
		KShs.	KShs.
a) Current account			
Kenya Commercial bank (Recurrent)	Cash 1210028794	300.00 299,486,854.99	50.00 284,816,227.70
Kenya Commercial bank (Confidential)	1248074947	1,839,906.00	5,992,549.00
Sub- total		301,327,060.99	290,808,776.70
Grand Total		301,327,060.99	290,808,826.70

14. Trade Receivable and Prepayment

Trade Receivables and prepayment	2020-2021	2019-2020
National Oil	-	200,000.00
Beverage Six	-	10,000.00
Totals	-	210,000.00

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property Plant and Equipment

	MOTOR VEHICLES	OFFICE EQUIPMENTS	FURNITURE & FITTINGS	COMPUTERS AND EQUIPMENTS	TOTAL
DEPRECIATION RATE	25%	20%	12.50%	33.30%	
COST					
Opening Bal	22,031,000	0	35,833,937	37,972,405	95,837,342
Additions	15,805,350.00	1,048,800.00	0	5,808,697	22,662,847
Adjustments					
AT 30TH JUNE 2021	37,836,350	1,048,800	35,833,937	43,781,102	118,500,189
Depreciation as at July 2020	-9638563	0	-7185114	-19857916	-36,681,593
Depreciation for the year.	-7,049,447	-209,760	-3,581,103	-7,894,651	-18,734,961
Adjustments	-16,688,010	-209,760	-10,766,217	-27,752,567	55,416,554
NBV 30, June 2021	21,148,340	839,040	25,067,720	16,028,535	63,083,635
Net Book Value at 30th June 2020	12,392,437	0	28,648,823	18,114,489	59,155,250

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

16. Trade and Other Payable from exchange transactions

	2020-2021	2019-2020
Trade payables - Retention fee	3,460,761	3,460,751.46
Taxation	-	0
Add retention 17/18	359,951	359,950
retention 2020/21	345,633	
Totals	4,166,345	3,820,701.46

17. Provisions

	2020-2021	2019-2020
Audit fee	580,000	1,160,000
Totals	580,000	1,160,000

18. Disclosures

Description	Account number	2020-2021	2019-2020
		Kshs.	
Preservation Deposit Account	1240221339	196,194,334	57,502,823
Escrow Account -Ezekiel Owuor & assets recovery agency	1236765893	1,200,000	1,200,000
Total		197,394,334	58,702,823

19. Currency

The financial statements are presented in Kenya Shillings (Kshs).

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Ref. No on the External Audit, Report	Issue/Observations from Auditor	Management comment	Focal point person to resolve the issue	Status	Time frame
Confidential Expenditure	The Statement of financial Performance for the year ended 30 june,2020 reflects confidential expenditure amounting to Ksh. 8,553,591. However, payment certificate and declaration of the expenditure by the Cabinet Secretary responsible and accounting officer were not availed for Audit Verification. This is contrary to section 93(18) of the Public Finance Management (National Government) Regulations,2015	The accounting officer signed the certificate and now awaiting the Solicitor General to sign	Director	In progress	June 2021
2. Statement Financial Position	The statement of financial position reflected a balance of Khs. 290,808,827 under cash and cash equivalents which, as disclosed in note 12 to the financial statement, includes an amount of Ksh. 284,816,228 held in Kenya commercial bank (KCB). However, the bank reconciliation statement reflects a cashbook balance of Ksh. 284,759,217 resulting to unexplained difference of Ksh. 57,011	The Captured amount of Ksh. 57,011 was for Bank charges			June,2021
	In addition, the cash and cash equivalent balances of Ksh. 290,808,827 includes amount of Ksh. 5,996,140 held in a confidential account in KCB. However, the bank reconciliation statement reflects a cashbook balance of Ksh. 5,992,549 resulting in unexplained difference of Ksh. 3,591.	bank charges for confidential account and the amount has been fully accounted for and resolved vide a voucher and cash book respective.			June2021
	The statement and expenditure for the year ended 30 june,2019 reflect confidential expenditure of Ksh. 6,250,000 However, payment certificates and declaration of the	The certificate was signed			June,2020

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

	by the Cabinet Secretary and Accounting Officer were not provided for Audit verification.				
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BRIG. ALICE M MATE
DIRECTOR

Date..... 25/07/22.....



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BONFACE DIMBA
PRINCIPAL ACCOUNTANT

Date..... 25-07-22.....

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

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

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1						N/A
2						N/A
3						N/A

ASSETS RECOVERY AGENCY
 Annual Reports and Financial Statements
 For the year ended June 30, 2021.

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		ASSETS RECOVERY AGENCY		
Break down of Transfers from the State Department of Justice				
	FY 2020/2021			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		30/06/2021	158,462,177	2020/2021
			0	
			0	
		Total	158,462,177	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
 Assets Recovery Agency

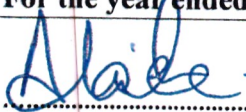
Head of Accounting Unit
 Office of Attorney General &
 Department of Justice

Sign _____

Sign _____

(Handwritten signature)
 25/07/2022

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the year ended June 30, 2021.



.....
BRIG. ALICE M MATE
DIRECTOR

Date..... 25/07/22



.....
BONFACE DIMBA
PRINCIPAL ACCOUNTANT

Date..... 25-07-22

