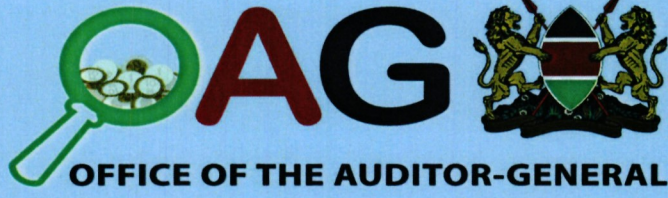
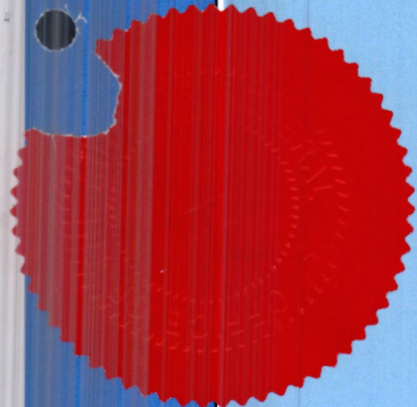


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REPORT

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THE AUDITOR-GENERAL

ON

UNCLAIMED ASSETS TRUST FUND

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





UNCLAIMED ASSETS TRUST FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30th JUNE 2021



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Unclaimed Assets Trust Fund
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For the year ended 30 June 2021

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a Background information

The Unclaimed Assets Trust Fund (the "Fund") is created under Section 44 of the Unclaimed Financial Assets Act for custody of Unclaimed Assets.

The Fund was effectively created with the gazettelement of the Act. The commencement date of the Act is 16 December 2011. Section 46 of the Act requires the Board to prepare financial statements for the Fund.

b Principal activities

The Unclaimed Financial Assets Authority (UFAA) administers the principal activity of the Unclaimed Financial Assets Trust Fund. This is to receive, safeguard and reunite unclaimed financial assets with rightful owners.

c Key Management

Section 41 and 42 of the Act provide the following as key organs of management of the Fund:

- i. Board of Directors of Unclaimed Financial Assets Authority as a corporate trustee
- ii. Chief Executive Officer of the Authority as the Managing Trustee of the Fund
- iii. Management of UFAA

d Principal place of business of the Authority

2nd Floor, Pacis Centre
Slip Road, off Waiyaki Way, Westland
PO Box 28235 - 00200
Nairobi, Kenya

e Trustee's Contacts

+254 020 434 3440
+254 706 866 984
+254 736 559 152
info@ufaa.go.ke

f Principal bankers

Central Bank of Kenya
PO Box 60000 - 00200
Nairobi, Kenya

KCB Bank
Sarit Centre
P.O Box 46950-00100
Nairobi, Kenya

g Auditor

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

Delegated/Authorised Auditor:

g 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

The Unclaimed Financial Assets Authority (the "Authority") and the Chief Executive Officer of the Authority act as Trustee and Managing Trustee of the Fund, respectively.

The Directors of the Authority are:

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.

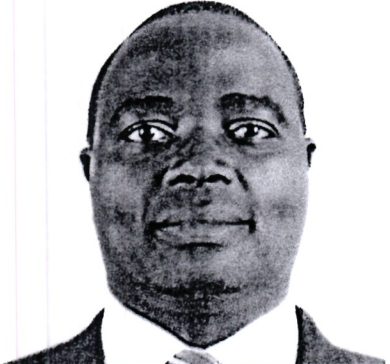


Born in 1969, Richard studied Economics and Political Science at the University of Toronto, Canada. He was appointed to the Board





	<p>of Directors on 25th April 2020 and subsequently elected Board Chair by the Directors on 17th May 2020.</p>
	<p>Hon. Amb. Ukur Yatani Kanacho - Cabinet Secretary, The National Treasury, Non-Executive Director</p> <p>Hon. Amb. Yatani has over 27-year experience in public administration, politics, diplomacy and governance in public sector.</p> <p>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.</p> <p>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.</p> <p>Born in 1967, Hon. Amb. Yatani was appointed Cabinet Secretary, The National Treasury, in January 2021.</p>
	<p>Mr. Daniel M. Mutua</p> <p>Mr. Mutua is a Deputy Director, Investment in the National Treasury.</p> <p>He holds a Bachelor of Education (Economics/Business)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and is a Registered Certified Investment and Financial Analyst (CIFA). Mr. Mutua has undergone intensive training in many areas such as Investment appraisal, Enterprise Risk Analysis, Corporate Governance, Performance Management, Project management, Procurement and Public Finance. He holds several certificates on Public Private Partnerships from IP3 Institute, in Washington DC-USA.</p> <p>He has over 25 years Public sector experience in various Ministries including-TSC, Ministry of Labour, Office of the Vice President, Culture & National Heritage and currently in the National Treasury-Directorate of Public Investments and Portfolio management. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd, and University of Eldoret Council.</p>

	<p>Born in 1967, Mr Mutua was appointed in November 2012 as an Alternate Director to the CS, The National Treasury.</p>
	<p>Mr. Gabriel K. Njenga – Non-Executive Director</p> <p>Mr Karanja is a founding Partner at Karanja-Njenga Advocates, a fully-fledged Corporate Commercial Law firm, established in 1993. He holds a Bachelor of Laws (LLB) from Sheffield University, Sheffield United Kingdom. He attained a Diploma in Law from the Kenya School of Law in 1991. 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.</p> <p>Born in 1959, Mr Njenga was re-appointed in December 2018 as a member of the Board.</p>
	<p>Ms Jacqueline Oyuyo - Non-Executive Director</p> <p>Jacqueline is the Managing Partner of Umsizi LLP, where she practices as an Advocate, Corporate Secretary, Arbitrator and Mediator to a host of clientele.</p> <p>She holds an MBA in Global Technology Management from the American Intercontinental University and is a Fellow of the Chartered Institute of Arbitrators, a Certified and Judiciary-Accredited Mediator and an accredited Governance Auditor.</p> <p>She is committed to demystifying corporate governance in a way that makes sense for each Authority that she deals with and is adept at tackling regulatory compliance. She served on the Governing Council of the Institute of Certified Public Secretaries of Kenya (ICPSK), as well as on various Boards ranging from non-profit entities and has served in various State Corporations in the capacity of non-executive Director.</p> <p>Born in 1975, Jacqueline was reappointed in May 2020 as a member of the Board.</p>
	<p>Hon FCPA Thomas Ludindi Mwadeghu - Non-Executive Director</p> <p>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. Mwandeghu served as a Minority Chief Whip, Member of House Business Committee, Member of Public Investment Committee and Lands Committee of the National Assembly.</p> <p>Previously, Hon. 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.</p>

	<p>Hon. Mwachugu is a graduate of Commerce (Accounting) from the University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) since 1981.</p> <p>Born in 1953, Hon FCPA Mwachugu 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.</p>
	<p>Mr. Peter Ng'ang'a Kanyua - Non-Executive Director</p> <p>Peter is an accomplished business leader in Kenya and USA markets running into insurance, security exchange, real estate, IT, security and betting. He began his career as an Investment Consultant in the commodities and derivatives market at the New York stock Exchange (NYSE), National Association of Stock Dealers Association (NASDAQ) and the Chicago Board of Exchange (CBOE).</p> <p>With 18 years-experience, Peter has held several senior positions at John Power Ltd, EBET (K) Limited, Energy Tech Africa Limited, SENACA Security Limited among others.</p> <p>Peter received his undergraduate degree from the Baruch College, City University of New York in Finance and Economics.</p> <p>Born in 1966, Peter 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.</p>
	<p>FA John K. Mwangi- CEO& Managing Trustee</p> <p>Mr. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund.</p> <p>Prior to his appointment as CEO and Managing Trustee, Mr. Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA, a position he held for four years. Mr. Mwangi has had a successful career in several financial institutions within investment and a commercial banking. He has over 16 years' experience having worked with leading Fund Managers, Investments and Commercial banking Industry in Kenya as a Relationship Manager. He joined the Authority in April 2015 from Bank of Africa (BOA) where he was a Relationship Manager in institutional banking. Prior to joining BOA, Mr. Mwangi also worked at African Alliance Investment Bank, Old Mutual Asset Managers and ICEA Asset Managers.</p> <p>Mr. Mwangi is a Certified Investment and Financial Analyst and Member of the Institute of Certified Investment and Financial Analysts (ICIFA). He is also a member of Kenya Institute of Management (KIM). He holds an Executive MBA from Strathmore Business School and underwent a Modular course on Corporate Entrepreneurship and Global Strategy at IESE Business School, University of Navarra in Barcelona. Mr. Mwangi is a Certified Trustee by RBA in conjunction with College of Insurance and His undergraduate is in Economics and Business Studies from the University of Nairobi.</p> <p>Born in 1977, Mr Mwangi was appointed as the CEO & Managing Trustee on 1 March 2020.</p>

Management team

Name	Designation
<p data-bbox="188 495 424 524">FA John K. Mwangi</p> 	<p data-bbox="608 470 1145 500">Chief Executive Officer & Managing Trustee</p> <p data-bbox="608 519 1249 586">Mr John K. Mwangi is the Chief Executive Officer of the Authority & Managing Trustee of the Trust Fund.</p> <p data-bbox="608 598 1305 697">Prior to his appointment as CEO and Managing Trustee, Mr. John Mwangi was the Manager, Unclaimed Financial Assets Line at UFAA since April 2015.</p> <p data-bbox="608 741 1318 808">Mr Mwangi was appointed as the CEO & Managing Trustee in March 2020.</p>
<p data-bbox="188 975 475 1005">Mrs Caroline C. Chirchir</p> 	<p data-bbox="608 975 1150 1005">Manager Human Resource & Administration</p> <p data-bbox="608 1017 1334 1148">Caroline is responsible for the facilitation, co-ordination and implementation of human resource and administration policies, strategies and systems and provision of a conducive working environment for the Authority.</p> <p data-bbox="608 1160 1350 1227">Caroline has also acted as CEO of UFAA following appointment on 1st November 2018 until 28th February 2020.</p> <p data-bbox="608 1239 1342 1369">She joined the Authority in October 2016 following a successful career in Human resource management and consultancy at many institutions in the manufacturing and financial services sector.</p>
<p data-bbox="188 1419 448 1448">Mr Godfrey Wambugu</p> 	<p data-bbox="608 1419 1305 1448">Acting Corporation Secretary & Manager Legal Services</p> <p data-bbox="608 1473 1350 1641">Godfrey is responsible for Board affairs and ensuring compliance with statutory legal requirements and establish legal risk management procedures to prevent and mitigate against legal risk. He also advises on contractual obligations as well as corporate governance requirements.</p> <p data-bbox="608 1665 1326 1796">Godfrey joined the Authority as a Senior Legal Officer in 2017 following distinguished service in private sector institutions including Stima Sacco Standard Group Limited. He was appointed in an Acting capacity in April 2021.</p>

<p>Mr Francis M. Muchina</p> 	<p>Manager, ICT</p> <p>Francis is responsible for Planning, developing, coordinating and ensuring delivery of the Authority's ICT strategy and needs. He also oversees management of the Trust Fund database.</p> <p>Francis joined the Authority in April 2015 following service in many public sector institutions including the National Treasury and Kenya Forestry Research Institute (KEFRI).</p>
<p>CPA Pius K. Kimutai</p> 	<p>Manager Audit, Risk& Assurance</p> <p>Pius is responsible for ensuring the effective operation of the internal audit function. The role is also responsible for ensuring that UFAA has a Risk Management Strategy in place with appropriate systems to identify and mitigate identified risks.</p> <p>Pius joined the Authority in August 2015, following long service in academia in various schools and in different capacities in Accounting and Audit at Postbank.</p>
<p>Jack O. Gumboh, PhD</p> 	<p>Manager Procurement</p> <p>Jack is responsible for procurement and supply function and overseeing aspects of purchasing, negotiations and management of the procurement of goods, works and services in line with the law.</p> <p>Jack joined the Authority in January 2018 after long service in various capacities in Supply Chain management in many public and private sector institutions.</p>
<p>Beatrice Chelangat</p> 	<p>Acting Manager Unclaimed Financial Assets Line</p> <p>Beatrice is responsible for overall management of the Unclaimed Financial Assets Trust Fund, including overseeing compliance by holders, investment of received funds and re-unification to the rightful owners.</p> <p>Beatrice joined the Authority as a Senior Auditor (Claims) in September 2015 after long service in financial management at various institutions including EACC. She was appointed as Ag Manager UFAL in March 2020.</p>

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.

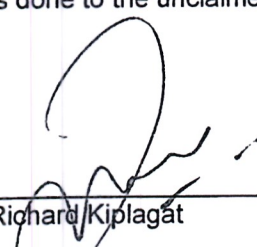
On the legislative front, we have held liaison meetings with the national assembly special funds committee with the key focus of ensuring that challenges to reunification due to legislation are appreciated and addressed. Being a regime that is new within the region, many lessons have been learnt during 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 of the Board of Directors
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.

The year under review has seen continued growth in our paid out claims to over Kshs 300 Million, from a low of under Kshs 34 Million in FY 2016/17, when we first paid a claim. In addition, our investment in Treasury Bills is currently over Kshs 23 Billion, showing UFAA's significant contribution in maintaining low interest rates in Treasury Bills since as a State Corporation, UFAA invests non-competitively.

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 minimise 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.

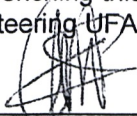
The organization reviewed its Strategic Plan 2018-23 to ensure the Plan is aligned to the operating environment in which we operate. Measures aimed at enhancing collection of unclaimed assets and reunification given and the Plan reviewed in line with the operating realities. We will continue to ensure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

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

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 this challenge is addressed. We look forward to implementing The National Treasury recommendations so that we can ensure UFAA discharges its mandate effectively and sustainably.

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



FA John K. Mwangi
CEO/Managing Trustee

Date... 30 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	<ul style="list-style-type: none"> • Holders compliance audits • Holders declaration & surrender of Unclaimed Financial Assets 	<ul style="list-style-type: none"> • Conduct 25 holders compliance audits • Collect KES 4.6 billion in cash unclaimed financial assets from holders 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Investment rate of return • Budget funding and absorption 	<ul style="list-style-type: none"> • Investment income of KES 1.5 billion • 100 % Budget funding and absorption 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Process and pay claims amounting KES 664 Million • Reunite 5,140 claimants • Reunify 5.6 million unit of shares 	<ul style="list-style-type: none"> • 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

Unclaimed Financial Assets Authority is the Trustee of the Trust Fund in accordance with the UFA Act.

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 of the Authority 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 to CS The National Treasury
Gabriel Njenga	Member
Jacqueline Oyuyo	Member
Hon. Thomas Mwadeghu	Member
Peter Kanyua	Member
John Mwangi	Member - CEO/Managing Trustee

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 is 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.

Board Meetings attendance from 1 July 2021 to 30 June 2021

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	-
John Mwangi	4	4	-

Operational and financial performance

The Trust Fund is managed and operated by the Authority, in line with the Unclaimed Financial Assets Act. For this reason, its costs and expenses are absorbed by the Authority's budget.

With a total investment portfolio of Kshs 23.73 billion as at 30th June 2021, Kshs 1.59 billion was generated as investment income in FY 2020/20 from the Trust Fund. This is against a target of Kshs 1.5 billion for the year.

With regard to receipts of unclaimed assets, Kshs 3.6 billion was the additional cash to the unclaimed assets denominated in cash, against a target of Kshs 4.8 billion. In overall however, the total Fund value stands at Kshs 39.5 billion, consisting of Kshs 19.5 billion in cash assets, Kshs 20 billion in shares (conversion price being NSE prices as at 30th June 2021) and Kshs 4.453 billion being retained reserves from income. Shares are included in the Financial Statements as a disclosure item pending final reconciliation with holders.

A total of 3,314 claimants with claims worth Kshs 307.7 million were reunified during the Financial year. This is against Kshs 228.7 million that was paid in FY 2020/20. Total claims paid represent 1.58% of the cash assets value.

While the current levels of reunification have grown from a low of Kshs 34 million, the rate is still low. Management has therefore put in place mechanisms to ensure the level of reunification grows. This is as expounded in the key projects that are under implementation.

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 Authority has put emphasis on projects meant to enhance reunification levels and access to its services.

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 August 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. This will therefore enhance reunification levels. 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 are accessible and decentralized across the country.

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 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 arrears of statutory and other financial obligations in the Trust Fund operations during the year under review.

Financial probity and governance Issues

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

Trustee's report

The Directors of the Unclaimed Financial Assets Authority (the "Authority") submit the Trustee's report together with the unaudited financial statements for the period ended 30 June 2021, which show the state of the Unclaimed Assets Trust Fund.

Principal activities

The principal activities of the Authority are to receive, safeguard and reunite unclaimed financial assets with rightful owners/beneficiaries. The Fund was created under Section 44 of the Unclaimed Financial Assets Act, No. 40 of 2011.

As per Section 44 of the Act, the Fund receives unclaimed assets and other payments required by the Act. Payments to claimants are made out of the Fund.

The Cabinet Secretary (of the National Treasury) may approve payments out of the revenue reserve of the Fund to defray costs associated with the administration of the Authority and performance of its functions under the Act.

Results

The surplus for the period of Shs 1,586,706 (2021: Shs 1,403,516) has been added to revenue reserve.

Trustee

The Authority and the Chief Executive Officer of the Authority act as Trustee and Managing Trustee of the Fund, respectively.

The Directors who served on the Board of the Authority during the period and up to the date of this report are listed on page 3 to 6.

Dividends/Surplus remission

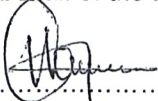
In line with the Unclaimed Financial Assets Act, revenue realized has been held in the Unclaimed Financial Assets Trust Fund. Payments out of the Fund can be made on account of:

- i) payment due and payable to owners out of the Fund under the Act;
- ii) such amounts as may be approved by the Cabinet Secretary to defray costs associated with the administration of the Authority and performance of its functions under this Act.

Auditor

The Auditor General is responsible for the statutory audit of Unclaimed Assets Trust Fund. 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 Assets Trust Fund to conduct the statutory audit for the year ended 30 June 2021.

On behalf of the Fund



.....
Mr Godfrey Wambugu
Ag. Corporation Secretary & Manager, Legal Services
Unclaimed Financial Assets Authority
Date: 30 November 2021

Statement of Responsibilities of the Board of Directors of the Trustee

Section 46 of the Unclaimed Financial Assets Act requires the Unclaimed Financial Assets Authority (the " Authority or Trustee") to prepare financial statements in respect of the Unclaimed Financial Assets Trust Fund (the "Fund"), which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Directors of the Trustee are responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund 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 Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Trustee accept responsibility for the presentation and preparation of financial statements of the Fund 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. The Directors of the Trustee 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 Fund'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 Fund'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.

Approved by the Directors of the Trustee on 30 November 2021 and signed on its behalf by:



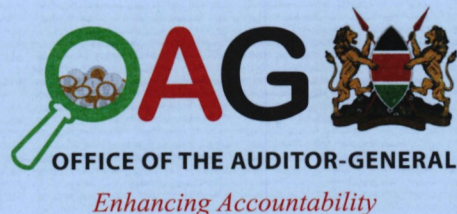
Richard Kiplagat
Chairman of the Board



John Mwangi
Managing Trustee & CEO

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON UNCLAIMED ASSETS TRUST FUND 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 Assets Trust Fund set out on pages 22 to 38, which comprise the statement of financial position as at 30 June, 2021, and the

statement of income and expenditure, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results 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 were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Unclaimed Assets Trust Fund 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 Assets Trust Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Low Rate of Unclaimed Assets Reunification

As previously reported, the Authority commenced receiving unclaimed financial assets from holders in 2014 and reuniting the unclaimed financial assets with beneficiaries in 2016. Although, there was improvement in the reunification rate of assets with the beneficiaries from a low of less than 1% in 2017, the rate is still significantly low and stood at 4% as at 30 June, 2021. Management attributed the slow pace to the Unclaimed Financial Assets Regulations, 2016 due 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 prescribed 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 with currently thirty-two (32) staff on board to handle all operations countywide;
- v) Low awareness levels by beneficiaries; and,
- vi) Make-up of the fund where we have many receipts of very small amounts without any provision for a mechanism to donate, among other factors.

The above factors do not adequately support an effective reunification process. Management however, indicated that it submitted a proposal to The National Treasury for the amendment of the Regulations.

In the circumstances, the Fund was not meeting its mandate of tracing unclaimed assets and reunifying them with the beneficiaries efficiently and in an effective manner.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 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 Fund'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 abolish the Fund 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.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 Fund'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 Fund to cease to continue 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 Fund 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

22 March, 2022

Unclaimed Assets Trust Fund
Financial statements
For the year ended 30 June 2021

Statement of Income and Expenditure

	Notes	Year ended 30 June	
		2021 Kshs '000	2020 Kshs '000
Income			
Revenue from exchange transactions			
Investment income from treasury bills	6	1,586,364	1,403,516
Investment income from call deposits		342	-
Expenditure			
Expenses*		-	-
Surplus for the year		<u>1,586,706</u>	<u>1,403,516</u>

The notes on pages 27 to 37 are an integral part of these financial statements.

*Expenses of the fund have been absorbed by the Authority in line with Section 44 of the Unclaimed Assets Act that gives it the responsibility to manage and operate the Unclaimed Assets Trust Fund. The Authority has separate financial statements.


Statement of Financial Position

	Notes	As at 30 June	
		2021	2020
ASSETS		Kshs '000	Kshs '000
Current assets			
Cash and cash equivalents	4	217,378	290,524
Receivables	5	822,429	759,472
Investments	6	23,730,691	19,138,394
		<u>24,770,498</u>	<u>20,188,390</u>
Payables			
Transfers to UFAA		714,100	322,976
Holders' fee refund		-	16,098
Claims payable		94,891	31,738
	8	<u>808,991</u>	<u>370,812</u>
RESERVES			
Unclaimed Assets Trust Fund		19,508,227	16,236,904
Revenue reserve		4,453,280	3,580,674
		<u>23,961,507</u>	<u>19,817,578</u>
Total liabilities and reserves		<u>24,770,498</u>	<u>20,188,390</u>

The notes on pages 27 to 37 are an integral part of these financial statements.

The financial statements on pages 22 to 37 were approved for issue by the Board of Directors and signed on its behalf by:


 FA John Mwangi
 Managing Trustee & CEO


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


 Richard Kiplagat
 Chairman of the Board

Date 30 November 2021

Date 30 November 2021

Date 30 November 2021

Statement of Changes in Reserves

	Unclaimed Assets Trust Fund Shs'000	Revenue reserve Shs'000	Total Shs'000
As at 1 July 2019	13,326,451	2,635,458	15,961,909
Payables from prior period	22,356	264,676	287,032
Receipts of unclaimed assets	3,164,613	-	3,164,613
Claims paid	(228,680)	-	(228,680)
Transfer to UFAA	-	(400,000)	(400,000)
Claims payable (note 8)	(31,738)	-	(31,738)
Other payables	(16,098)	(322,976)	(339,074)
Surplus for the year	-	1,403,516	1,403,516
Balance at 30 June 2020	16,236,904	3,580,674	19,817,578
As at 1 July 2020	16,236,904	3,580,674	19,817,578
Payables from prior period	47,836	322,976	370,812
Receipts of unclaimed assets	3,650,925	-	3,650,925
Claims paid	(307,906)	-	(307,906)
Transfer to UFAA	(24,641)	(322,976)	(347,617)
Claims payable (note 8)	(94,891)	-	(94,891)
Other payables (note 8)	-	(714,100)	(714,100)
Surplus for the year	-	1,586,706	1,586,706
Balance at 30 June 2021	19,508,227	4,453,280	23,961,507

The notes on pages 27 to 37 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	For the year ended 30 June	
		2021 Kshs '000	2020 Kshs '000
Cash flows from operating activities			
Surplus for the year		1,586,706	1,403,516
Increase in receivables	5	(62,957)	(196,744)
Claims paid		(307,906)	(228,680)
Transfer from Trust Fund income	8	(347,617)	(400,000)
Net cash from operating activities		868,226	578,092
Cash flows from investing activities			
Increase in investment in treasury bills	6	(4,592,297)	(3,880,217)
Net cash used in investing activities		(4,592,297)	(3,880,217)
Cash flows from financing activities			
Increase in the Unclaimed Assets Trust Fund		3,650,925	3,164,613
Net cash from financing activities		3,650,925	3,164,613
Increase in cash and cash equivalents		(73,146)	(137,512)
Cash and cash equivalents at start of year		290,524	428,036
Cash and cash equivalents at end of year	4	217,378	290,524

The notes on pages 27 to 37 are an integral part of these financial statements.

Statement of comparison of budget and actual performance

In line with section 44 of the Unclaimed Financial Assets Act 2011, the Unclaimed Assets Trust Fund is managed and operated by the Unclaimed Financial Assets Authority. Therefore, the financing of the Funds operations and activities is wholly budgeted for and implemented by the Authority.



Notes to the financial statements

1 Statement of compliance and basis of preparation

The Trust Fund'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 Trust Fund 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 Fund

There were no new or amended standards adopted by the fund.

(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 Trust are not expected to have any material impact on the financial statements of the Trust.

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

Noted (continued)

2 Summary of significant accounting policies

a) Revenue from exchange transactions

Investment income

Investment 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 investment income each period.

(b) Claims and administration costs

Payments due and payable to the beneficiaries are settled out of the Trust Fund. Administration costs approved by the Cabinet Secretary are also settled out of the fund.

(c) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(d) Taxes

The Fund is not subject to taxation as it is non-trading. Investments are made in the name of the Authority that is a Trustee to the Unclaimed Assets Trust Fund. Investment income is charged withholding tax that is considered final tax in line with the Income Tax Act.

(e) 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 Fund 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.

Noted (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial assets (continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund 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.

Currently, Treasury Bills are held to maturity hence no impairment has been realized or provided for.

Impairment of financial assets

The Fund 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)

(iii) 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 Fund 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The Fund has the following reserves:

- The *Unclaimed Assets Trust Fund* which consists of unclaimed assets and other payments paid into the Fund. Payments to claimants are made out of this reserve.
- The *Revenue Reserve* which consists of income earned from investment of the *Unclaimed Assets Trust Fund*. The Cabinet Secretary (of the National Treasury) may approve payments out of this reserve to defray costs associated with the administration of the Fund and performance of its functions under the Act.

(g) Changes in accounting policies and estimates

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

(h) 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 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.

(i) Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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.

There were no significant judgements or assumptions made concerning the future in the preparation of these financial statements.

(j) Subsequent events

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

Notes (continued)

3 Financial risk management objectives and policies

The Fund's activities expose it to a variety of financial risks, mainly, credit risk, liquidity risk and the effects of changes in interest rates. The Fund'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 Fund under policies approved by the Trustees of the Fund.

(a) Risks facing the Fund

The following are the main types of risks that the Fund 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 Fund undertakes some transactions in United States Dollar (USD). Exchange rate exposures are managed within approved policy parameters. Had the KES weakened/strengthened by 10% (2021:10%) against USD the effect on the surplus would have been KES 830,607 (2020: KES 18,888,203) due to revaluation of cash held in USD denominated accounts.

i. Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from bank and investment balances.

Management of the credit risk is through the choice of depository bank and investments. The Fund's choice of depository bank is confined to the Central Bank of Kenya and at 30 June 2021, the investments held were government securities. Therefore, the Fund does not consider there to be any significant exposure to credit risk.

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

	2021 Kshs '000	2020 Kshs '000
Cash and cash equivalents (Note 4)		
Fund account with CBK & KCB	217,378	290,524
Receivables (Note 5)		
Accrued interest income (from treasury bills)	822,429	759,472
Investments (Note 6)	23,730,691	19,138,394
Total	<u>24,770,498</u>	<u>20,188,390</u>

Notes (continued)

3 Financial risk management objectives and policies (continued)

(b) Risks facing the Fund (continued)

ii. Market risk

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

Interest rate risk

The Fund's interest rate risk arises from interest bearing treasury bill investments.

As at 30 June 2021, an increase/decrease of 100 basis points would have resulted in a decrease/increase in surplus of Kshs 237,306,910 (2020: Kshs 191,383,940)

iii. Liquidity risk

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

The Fund ensures that it has sufficient cash on demand to meet claims through the maintenance of deposits in investments that can be liquidated readily. At the date of these financial statements, the Unclaimed Financial Assets Regulations which provide for the settlement of claims were yet to be gazetted.

(c) 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 investment balances approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Fund 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)

4 Cash and cash equivalents

	2021 Kshs '000	2020 Kshs '000
Trust fund KES account	118,842	3,109
Trust fund payment account	85,673	1,429
Investment account	412	94,047
Trust fund USD account	8,309	188,882
KCB	4,131	3,057
MPESA	11	-
Total	<u>217,378</u>	<u>290,524</u>

5 Receivables

Accrued interest income (from treasury bills)	<u>822,429</u>	<u>759,472</u>
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6 Investments Schedule

As at 30 June 2020

Tenure	Face value Shs'000	Amount paid Shs'000	Discount due Shs'000	Income Shs'000
364 days - Received	-	-	644,044	644,044
364 days - Receivable	20,661,800	19,138,394	1,523,406	759,472
Total	<u>20,661,800</u>	<u>19,138,394</u>	<u>2,167,450</u>	<u>1,403,516</u>

As at 30 June 2021

Tenure	Face value Shs'000	Amount paid Shs'000	Discount due Shs'000	Income Shs'000
364 days - Received	-	-	763,935	763,935
364 days - Receivable	25,338,450	23,730,691	1,657,759	822,429
Total	<u>25,338,450</u>	<u>23,730,691</u>	<u>2,421,694</u>	<u>1,586,364</u>

Notes (continued)

7 Unclaimed Assets Trust Fund

a. Receipts of Unclaimed Financial Assets

	2021	2020
Institution type	Kshs'000	Kshs'000
Commercial banks	13,672,427	10,999,309
Listed companies	3,295,376	2,475,560
Insurance companies	1,224,304	1,127,550
Telecommunication companies	2,051,427	1,507,482
SACCOs	44,341	24,961
Pension Funds	29,359	29,140
Others	44,598	32,550
Total	20,361,832	16,196,552

b. Unclaimed Financial Assets held by the holders

As at 30 June 2021, the following other Unclaimed Assets had been reported by various Holders. They have however not been recognized in the Trust Fund since processes for transfer of title are ongoing.

i. Shares: Conversion is by NSE prices as at 30 June 2021

Holder	Number of shares '000'	Market Value Shs	Total Amount Shs'000'
ABSA Bank	108,886	9.92	1,080,149
Almasi	579	0.25	145
Athi River Mining Holdings	59	5.55	327
Bamburi	1,311	35.15	46,082
BAT Kenya Ltd	71	450	31,950
Britam Holdings	51,233	7.24	370,927
BOC Group	166	61.5	10,209
Centum Ltd.	48,336	17.4	841,046
CIC Group	11,717	2.16	25,309
CIS	10,439	1	10,439
Co-op Bank	127,717	13.8	1,762,495
Co-op Holdings	70,040	1	70,040
Crown Ltd.	940	36.3	34,122
Diamond Trust Bank	2673	59.25	158,375
East African Breweries	15,446	180.75	2,791,865
East Africa Cables Ltd	9,887	1.30	12,853
Eveready Ltd.	56	0.98	55
Express Kenya Ltd.	1,025	4	4,100
Housing Finance	20	3.87	77
I&M Holdings	1,294	21.85	28,274
Jubilee Insurance Ltd.	2,202	350.5	771,801
Kakuzi Ltd.	887	405	359,235
Kenya Commercial bank	84,490	46.25	3,907,663
Kengen	54	3.94	213
Kenol Kobil	1	22	22
Kenya Power	40,182	1.4	56,255
Kenya Re-Insurance Corporation	1,043	2.47	2,576

Notes (continued)

Unclaimed Financial Assets held by the holders (continued)

i. Shares (continued)

Holder	Number of shares '000	Market Value Shs	Total Amount Shs'000
Kenya Airways	14,559	3.83	55,761
Kenya Wines Agencies Limited	42	1	42
Mumias Sugar Company	69	0.3	21
National Bank Of Kenya	10	4.12	41
NCBA Bank	20,306	25.5	517,803
Nation Media Group	5,305	25	132,625
Nairobi Stock Exchange	4,245	8.36	35,488
Olympia Ltd.	3,149	2.15	6,770
Rea Vipingo	1,045	85	88,825
Safaricom	134,008	41.45	5,554,632
Sameer Africa	7,466	3.4	25,384
Sasini Ltd	5,581	18.05	100,737
Stanbic Holdings Plc	2,092	81	169,452
Standard Chartered Bank Kenya	6,579	129.75	853,625
Total Kenya	7	25	175
Uchumi Plc.	160	0.27	43
Unga Plc	6,992	27.8	194,378
WPP Scan Group Ltd	13	5.2	68
Total	802,382		20,112,474

ii. Safe deposits

The contents of the safe deposits are not known since these have not been opened.

Holder	Units
ABC Bank	8
ABSA Bank	995
Bank of Africa	3
Bank of Baroda	576
Bank of India	17
Co-operative Bank of Kenya	124
Credit bank	14
Ecobank	17
Guardian Bank	15
Gulf bank	3
Kenya Commercial Bank	58
National Bank of Kenya	151
NCBA	6
Prime Bank	1
SBM Bank	137
Stanbic Bank	46
Standard Chartered Bank Kenya	477
Total	2,648

Notes (continued)

iii. Unit trusts

The reported unit trusts amounted to Kshs. 16,718,633 for the following holders:

Holder	Total Amount Shs'000
African Alliance Kenya Investment Bank Ltd	13,673,767
Old Mutual	3,044,866
Total	16,718,633

7 Unclaimed Assets Trust Fund (Continued)

c. Unclaimed Financial Assets Claims

	2021		2020	
	No. of claims	Shs '000	No. of claims	Shs '000
Approved and paid	3,314	307,706	2,244	228,680

The Authority receives claims from claimants that are approved in line with the Unclaimed Financial Assets Act, 2011 and Regulations. Only claims that have been reviewed and approved are recognized as payables.

8. Payables

	2021 Shs '000	2020 Shs '000
Balance b/f	322,976	264,676
Approved by National Treasury	714,100	458,300
Less: amount transferred	(322,976)	(400,000)
Transfers to UFAA	714,100	322,976
Holder's audit fee refunds received	-	16,098
Claims payable	94,891	31,738
Other payables	94,891	47,836
Total	808,991	370,812

Transfers are recognized as payable once approval has been granted by National Treasury in line with Section 44 of the Unclaimed Financial Assets Act

9. Related party transactions

In the course of its operations, the Fund enters into transactions with related parties.

Unclaimed Financial Assets Authority (UFAA)

The Unclaimed Financial Assets Authority (the "Authority") and its Chief Executive Officer act as Trustee and Managing Trustee of the Fund, respectively. Financing for the activities and operations of the Fund are wholly and exclusively budgeted for and implemented by the Authority.

Separate financial statements have been prepared for the Authority.

Notes (continued)

9. Related party transactions (continued)

Central Bank of Kenya (CBK)

The Fund is related to the Central Bank of Kenya (the "CBK") through the parent ministry of the Authority; that is, the National Treasury of the Government of Kenya.

The Fund's cash balance with the CBK and the Fund's investment in Government of Kenya treasury bills through the CBK are disclosed in Notes 4 to 6.


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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	Manager Legal Manager HR & Admin	Proposal to review of Legislation submitted to the National Treasury Proposal to enhance staff capacity submitted to The National Treasury	March 2022 March 2022
	Lack of a defined criteria for companies selected for holders Audits	Criteria for selection of holders for audit was reviewed in the new policy for holders' audit	Manager UFAL/Manager ICT	Resolved	Closed
	Variance between Unclaimed Assets Trust fund Records and holders Records	Reconciliation has been done for safe deposit boxes and shares reported and not remitted.	Manager UFAL Manager UFAL	Resolved Resolved	Closed Closed

CPA Henry Taabu
 Manager Finance & Accounting


Date: 30 November 2021

John Mwangi
 CEO & Managing Trustee


Date: 30 November 2021

