


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
ASSETS RECOVERY AGENCY**

**FOR THE FOURTEEN (14) MONTHS' PERIOD
ENDED 30 JUNE 2018**





ASSETS RECOVERY AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FOURTEEN (14) MONTHS PERIOD ENDING
JUNE 30, 2018**

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

	Page
KEY ENTITY INFORMATION AND MANAGEMENT.....	2
MANAGEMENT TEAM	4
REPORT OF THE DIRECTOR.....	5
STATEMENT OF DIRECTORS' RESPONSIBILITIES	6
REPORT OF THE AUDITOR GENERAL (KENYA) ON ASSETS RECOVERY AGENCY.....	7
STATEMENT OF FINANCIAL PERFORMANCE	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CASH FLOWS.....	10
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE 2018	10
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	11
NOTES TO THE FINANCIAL STATEMENTS.....	12

KEY ENTITY INFORMATION AND MANAGEMENT**(a) Background information**

The assets recovery agency is established under the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 (POCAMLA) with the principal mandate of identifying, tracing, freezing, seizing and confiscating proceeds of crime with a view of combating money laundering. The Agency is currently operating with a skeleton staff deployed and/or seconded to the Agency from Office of the Attorney General & Department of Justice, the National Treasury, Office of the President and the Directorate of Criminal Investigations.

The Agency in the Financial year 2015/16 was allocated Kshs.10 Million for its operations. During the same period, the Agency through the Multi Agency Team (MAT) was allocated Kshs.200 Million for its operations. The Agency's funds for the F/y 2015/16 and 2016/17 were administered through the Office of the Attorney General and Department of Justice as the Agency did not have an accountant and a commercial bank account.

The Agency commenced its financial operations in the F/Y 2017/18 after deployment of a Chief accountant from the National Treasury and authorization to open a bank account with Kenya Commercial Bank, KICC Branch by the National Treasury. The Agency was allocated Kshs.. 210.67 million for its operations for the F/Y 2017/18. The Agency also received a transfer of Kshs.126,300,000 which was unspent balance for the F/Y 2017/17 from the Office of the Attorney General and Department of Justice.

(b) Principal Activities

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

- i. Identification and investigation of proceeds of crime
- ii. Tracing of proceeds of crime and money laundering
- iii. Freezing assets suspected to be proceeds of crime held by persons under investigation or prosecution
- iv. Seizure of proceeds of crime
- v. Confiscation of proceeds of crime
- vi. Management of preserved assets
- vii. Administering the criminal assets recovery fund
- viii. Performing such other functions as are conferred on it by the Act or any other written law.

(c) Fiduciary Management

The key management personnel who held office during the Fourteen (14) Months Period ended June 30, 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	Ms. Muthoni Kimani
2.	Senior State Counsel	Mr. Peter Ngumi
3.	Head of Accounts	Mr. Ismael Mbuvi
4.	Head of Administration	Mr. Timothy Nderitu
5.	Head of Procurement	Mr. Kennedy Ogwengo

(d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *Audit and finance committee activities*
- *Parliamentary committee activities*
- *Development partner oversight activities*
- *Other oversight activities*

(e) Entity Headquarters

Assets Recovery Agency
Attorney General's Chambers
3rd Floor
P.O. Box 52420-00100
Harambee Avenue
Nairobi, Kenya.

(f) Entity Contacts

Telephone: +254-020-3310151
E-mail: info@assetsrecovery@ag.go.ke

(g) Entity Bankers

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

(h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

ASSETS RECOVERY AGENCY**Annual Reports and Financial Statements****For the Fourteen (14) Months Period ended June 30, 2018**

MANAGEMENT TEAM

NAME	AREA OF RESPONSIBILITY
Ms. Muthoni Kimani	Director
Mr. Peter Ngumi	Senior State Counsel
Mr. Ismael Mbuvi	Head of Accounts
Mr. Timothy Nderitu	Head of Administration
Mr. Kennedy Ogwengo	Head of Procurement

REPORT OF THE DIRECTOR

Principal activities

The Agency has undertaken the following activities during the FY 2017/18:

- The Agency through the Multi Agency Team (MAT) initiated several investigations and successfully identified, traced, seized and preserved assets worth Kshs.. 1.1 Billion from Proceeds of crime relating to NYS 2 cases amongst other complex financial cases.
- The Agency together with the National Treasury drafted the Criminal Assets Recovery Fund (Administration) Regulation 2017 for the recovery of non-monetary assets. The regulations are awaiting cabinet approval.
- The Agency conducted sensitization workshop for investigative and prosecutorial agencies, to enhance knowledge on the process of recovery of proceeds of crime.
- The Agency finalized the requisite Human Resource instruments working together with the Directorate of Public Service Management to enable it to fully operationalize. The same are awaiting approval by the relevant institutions.
- The Agency acquired office space for its operations at UAP Towers, 22nd Floor.

The Agency intends to undertake the following activities during the FY 2018/19:

- Identify and investigate proceeds of crime
- Trace proceeds of crime
- Analyse cases for forfeiture proceedings
- File cases for freezing, preservation and recovery of proceeds of crime.
- Decentralize the Agency's services to 3 counties
- Manage preserved assets
- Finalize the Criminal Assets Recovery Fund (Administration) Regulations 2017.
- Sensitize stakeholders, law enforcement agencies, reporting institutions and regulatory authorities on the Proceeds of Crime and Anti-Money Laundering Act.
- Procure goods and services that aid the Agency in achieving its mandate.
- Administer the criminal Assets Recovery Fund.



.....
MUTHONI KIMANI, MBS
DIRECTOR

Date: 18/2/2019

STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Assets Recovery Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Director is also required to ensure that the Assets Recovery Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Director are also responsible for safeguarding the assets of the Assets Recovery Agency.

The Director is responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:


- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- n(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 fourteen (14) months period ended June 30, 2018, and of the Agency's financial position as at that date. The Director further confirms the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Assets Recovery Agency's financial statements were approved by the Director (ARA) on _____ 2019 and signed on its behalf by:

.....

MUTHONI KIMANI, MBS
DIRECTOR
Date: 18.2.2019

REPORT OF THE AUDITOR GENERAL (KENYA) ON ASSETS RECOVERY AGENCY

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ASSETS RECOVERY AGENCY FOR THE FOURTEEN (14) MONTHS' PERIOD ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Assets Recovery Agency set out on pages 8 to 23 which comprise the statement of financial position as at 30 June 2018, 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 period 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 knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, the financial position of Assets Recovery Agency as at 30 June 2018, and of its financial performance and its cash flows for the fourteen (14) months' period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012 and the Proceeds of Crime and Anti-Money Laundering (Amendment) Act, 2017.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Assets Recovery Agency management in accordance with ISSAI 30 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 audit 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 of the Auditor-General on the Financial Statements of Assets Recovery Agency for the Fourteen (14) Months' Period ended 30 June 2018

Other Matter

Budget and Budgetary Control

During the period under review, the Agency's actual receipts amounted to Kshs.357,048,000 against budgeted receipts of Kshs.336,970,000 resulting in a revenue surplus of Kshs.20,078,000. The bulk of the revenue surplus was from grants and subsidies which had actual collection of Kshs.357,000,000 against budgeted receipts of Kshs.336,970,000 resulting in a surplus of 20,030,000. Further, the Agency's actual expenditure for the year amounted to Kshs.128,169,135 against budgeted expenditure of Kshs.336,970,000 resulting in an overall under absorption of Kshs.208,800,865. It is therefore clear that the Agency did not fully achieve its budget objectives which adversely affected delivery of the intended services to the public. Therefore, there is need for the Agency to review its budget making process with a view to coming up with a vibrant budget implementation follow up mechanism and feedback process with a view to ensuring that all projects and activities are implemented as planned for the Agency to meet its mission and objectives for the benefits of the Citizens of Kenya.

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.

Basis for Conclusion

Confidential Expenditure

Note 9 to the financial statements reflects confidential expenditure on covert operations totalling to Kshs.2,400,000 for the fourteen months' period ended 30 June 2018. However, payment certificates and declaration of the expenditure by the Cabinet Secretary responsible and the Accounting Officer were not availed for audit verification. This is contrary to Section 93(18) of the Public Finance Management Act, 2015 which require that any special imprest utilized for any expenditure on services of a confidential nature, the purpose and the particulars of which cannot be made public, shall be supported by a certificate that money has been paid, and a declaration by the Cabinet Secretary responsible for the National Government entity and the relevant Accounting Officer that they have satisfied themselves that the money has been properly expended, and has not been used to supplement the emoluments of any officer.

Management was therefore in breach of the law.

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 SYSTEMS AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter discussed in the Basis for Conclusion on Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Seized and Preserved Assets

The report of the directors at page 5 of the annual report indicates that the Agency through the Multi Agency Team (MAT) initiated several investigations and successfully identified, traced, seized and preserved assets worth Kshs.1.1 billion from proceeds of crime. However, management did not avail a register of the seized and preserved assets for audit verification.

In the circumstances, the value and status of the seized and preserved assets as at 30 June 2018 could not be confirmed.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards requires 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 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 governance.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Agency or to cease operations, or have no realistic alternative but to do so.

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 financial reporting process, reviewing the effectiveness of how the entity 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 ISSAs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Agency's 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

17 April 2019

ASSETS RECOVERY AGENCY**Annual Reports and Financial Statements****For the Fourteen (14) Months Period ended June 30, 2018****STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED JUNE 30, 2018**

	Notes	2017-2018	2016-2017
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	5	357,000,000	-
			-
Revenue from exchange transactions			
Other income-Sale of Tender Documents	6	48,000	-
Total revenue		357,048,000	-
Expenses			
Use of goods and services	7	31,200	-
Employee costs	8	22,529,965	-
Repairs and maintenance	10	4,856,914	-
Confidential Expense	9	2,400,000	-
General expenses	11	39,981,332	-
Finance cost			-
Total expenses		69,799,411	-
Surplus/(deficit) for the period/year		287,248,589	-

The notes set out on pages 14 to 22 form an integral part of these Financial Statements

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the Fourteen (14) Months Period ended June 30, 2018

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2017-2018 Kshs.	2016-2017 Kshs.
Assets			
Current assets			
Cash and cash equivalents	12	225,440,790	-
Receivables and Prepayments	13	4,918,075	-
Total Current Assets		230,358,865	-
Non-current assets			
Property, plant and equipment	14	58,369,724	-
Total assets		288,728,589	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	980,000	-
Provisions	16	500,000	-
		1,480,000	-
Total liabilities		1,480,000	-
Net assets			
Accumulated Surplus		287,248,589	-
Total net assets and liabilities		288,728,589	-

The Financial Statements set out on pages 8 to 13 were signed on behalf of the Board of Directors by:

Chief Accountant

ISMAEL MBUVI

Sign:

Date:

ISMAEL MBUVI
18/2/2019

Director

MUTHONI KIMANI, MBS

Sign:

Date:

MUTHONI KIMANI

18/2/2019

STATEMENT OF CASH FLOWS**FOR THE FOURTEEN (14) MONTHS PERIOD ENDED JUNE 30, 2018**

	2017-2018	2016-2017
	Kshs.	Kshs.
Cash flows from operating activities		
Surplus	287,248,589	
Increase in non-current receivables	(4,918,075)	-
Increase in Payables	1,480,000	
Net cash flows from operating activities	283,810,514	-
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(58,369,724)	-
Net cash flows used in investing activities		-
Cash flows from financing activities		
	-	
Net cash flows used in financing activities		-
Net increase/(decrease) in cash and cash equivalents	225,440,790	
		-
Cash and cash equivalents at 1 JULY 2017	0	-
Cash and cash equivalents at 30 JUNE 2018	225,440,790	-

ASSETS RECOVERY AGENCY**Annual Reports and Financial Statements****For the Fourteen (14) Months Period ended June 30, 2018****STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED JUNE 30, 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Government grants and subsidies	410,000,000	73,030,000	336,970,000	357,000,000	
Sale of goods				48,000	
Total income	410,000,000	73,030,000	336,970,000	357,048,000	20,078,000
Expenses					
Compensation of employees	83,696,000	3,000,000	80,696,000	22,529,965	58,166,035
Goods and services	166,804,000	27,030,000	139,774,000	47,269,446	92,504,554
Other payments	159,500,000	43,000,000	116,500,000	58,369,724	58,130,276
Grants and subsidies paid					
Total expenditure			336,970,000	128,169,135	208,800,865
Surplus for the period				228,878,865	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Assets Recovery Agency is established by and derives its authority and accountability from Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 with the principal mandate of identifying, tracing, freezing, se. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is xxx

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Agency's financial statements have been prepared on a historical cost basis unless stated otherwise. 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 the notes of the financial statements.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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

ii) Revenue from exchange transactions

Sale of goods (Tender Documents)

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.

b) Taxes

c) Property, plant and equipment

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

d) 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:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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.

e) Provisions

Provisions are recognized when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the Fourteen (14) Months Period ended June 30, 2018

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Agency 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.

f) Changes in accounting policies and estimates

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

g) Related parties

Members of key management are regarded as related parties. Key management of the Agency have been disclosed on page 4 Of the financial statement. The Agency is also related to Office of the Attorney General.

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 at various commercial banks at the end of the financial year.

i) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on 20th February 2017. 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 any additional appropriations on the 2017-2018 budget .

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

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the Fourteen (14) Months Period ended June 30, 2018

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.

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the fourteen (14) months period ended June 30, 2018.

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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

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:

- i. The condition of the asset based on the assessment of experts employed by the Entity
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the asset

- v. Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in the Note 16. 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 Fourteen (14) Months Period ended June 30, 2018

5. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2017-2018
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Office of Attorney General and Department of Justice	210,700,000	-	-	210,700,000	210,700,000
Office of Attorney General and Department of Justice (2016/2017)	126,300,000	-	-	126,300,000	126,300,000
Kenya Law Reform Commission	20,000,000	-	-	20,000,000	20,000,000
Total	357,000,000	-	-	357,000,000	357,000,000

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the Fourteen (14) Months Period ended June 30, 2018

5 OTHER INCOME

Description	2017-2018 Kshs.	2016-2017 Kshs.
Income from sale of tender	48,000	-
Total Other Income	48,000	-

6 USE OF GOODS AND SERVICES

Description	2017-2018 Kshs.	2016-2017 Kshs.
Subscriptions	31,200	-
Total Use of Good and Services	31,200	-

7 EMPLOYEE COSTS

Description	2017-2018 Kshs.	2016-2017 Kshs.
Domestic Travel	15,613,085	-
Foreign Travel	6,916,880	-
Total Employee Costs	22,529,965	-

8 CONFIDENTIAL EXPENSE

Description	2017-2018	2016-2017
	Kshs.	Kshs.
Confidential	2,400,000	-
Total Confidential Expenditure	2,400,000	-

9 REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	Kshs.	Kshs.
Vehicles	672,409	-
Furniture and fittings	4,184,505	-
Total Repairs and Maintenance	4,856,914	-

10 GENERAL EXPENSES

Description	2017-2018	2016-2017
	Kshs.	Kshs.
Insurance	52,000	-
Bank Charges	37,757	-
Consumables	3,348,227	-
Communication, Supplies and Services	1,117,203	-
Advertising, Printing, Stationery and Photocopying	11,081,436	-
Rent	9,147,283	-
Training	1,122,566	-
Fuel and oil	917,500	-
Conference and Delegations	13,157,360	-
Total General Expenses	39,981,332	-

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the Fourteen (14) Months Period ended June 30, 2018

11 CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	Kshs.	Kshs.
Current account	225,440,790	-
Total Cash and Cash Equivalents	225,440,790	-

11 (b). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2017-2018	2016-2017
		Kshs.	Kshs.
a) Current account			
Kenya Commercial bank	1210028794	225,440,790	-
Sub- total		225,440,790	
			-
Grand Total		225,440,790	-

12 RECEIVABLES AND PREPAYMENTS

Description	2017-2018	2016-2017
	Kshs.	Kshs.
Current receivables		
Outstanding Imprest	1,098,562	-
Prepayments	3,819,513	-
Total Current Receivables	4,918,075	-

ASSETS RECOVERY AGENCY
Annual Reports and Financial Statements
For the Fourteen (14) Months Period ended June 30, 2018

13 PROPERTY, PLANT AND EQUIPMENT

	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS AND EQUIPMENTS	TOTAL
DEPRECIATION RATE	25%	12.5%	33.3%	
AT 30TH JUNE 2017	0	0	0	0
Additions	22,031,000	9,260,000	27,078,724	58,369,724
Adjustments				0
AT 30TH JUNE 2018	22,031,000	9,260,000	27,078,724	58,369,724
Depreciation and Impairment				0
At 30th June 2017	0	0	0	0
Depreciation	0	0	0	0
Adjustments	0	0	0	0
Net Depreciation	0	0	0	0
At 30th June 2018	0	0	0	0
Depreciation	0	0	0	0
Adjustments	0	0	0	0
Net Depreciation	0	0	0	0
At 30th June 2019	0	0	0	0
N/Book Value at 30th June 2018	22,031,000	9,260,000	27,078,724	58,369,724
N/Book Value at 30th June 2017	0	0	0	0

14 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018 Kshs.	2016-2017 Kshs.
Trade payables	980,000	-
Total Trade and Other Payables	980,000	-

15 CURRENT PROVISIONS

Description	Provision Kshs.	Total Kshs.
Provision for Audit Fee	500,000	500,000
Total Provisions	500,000	500,000

16 EVENTS AFTER THE REPORTING PERIOD

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

17 ULTIMATE AND HOLDING ENTITY

The entity is a SAGA under the Office of the Attorney General. Its ultimate parent is the Government of Kenya.

18 Currency

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