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*Enhancing Accountability*

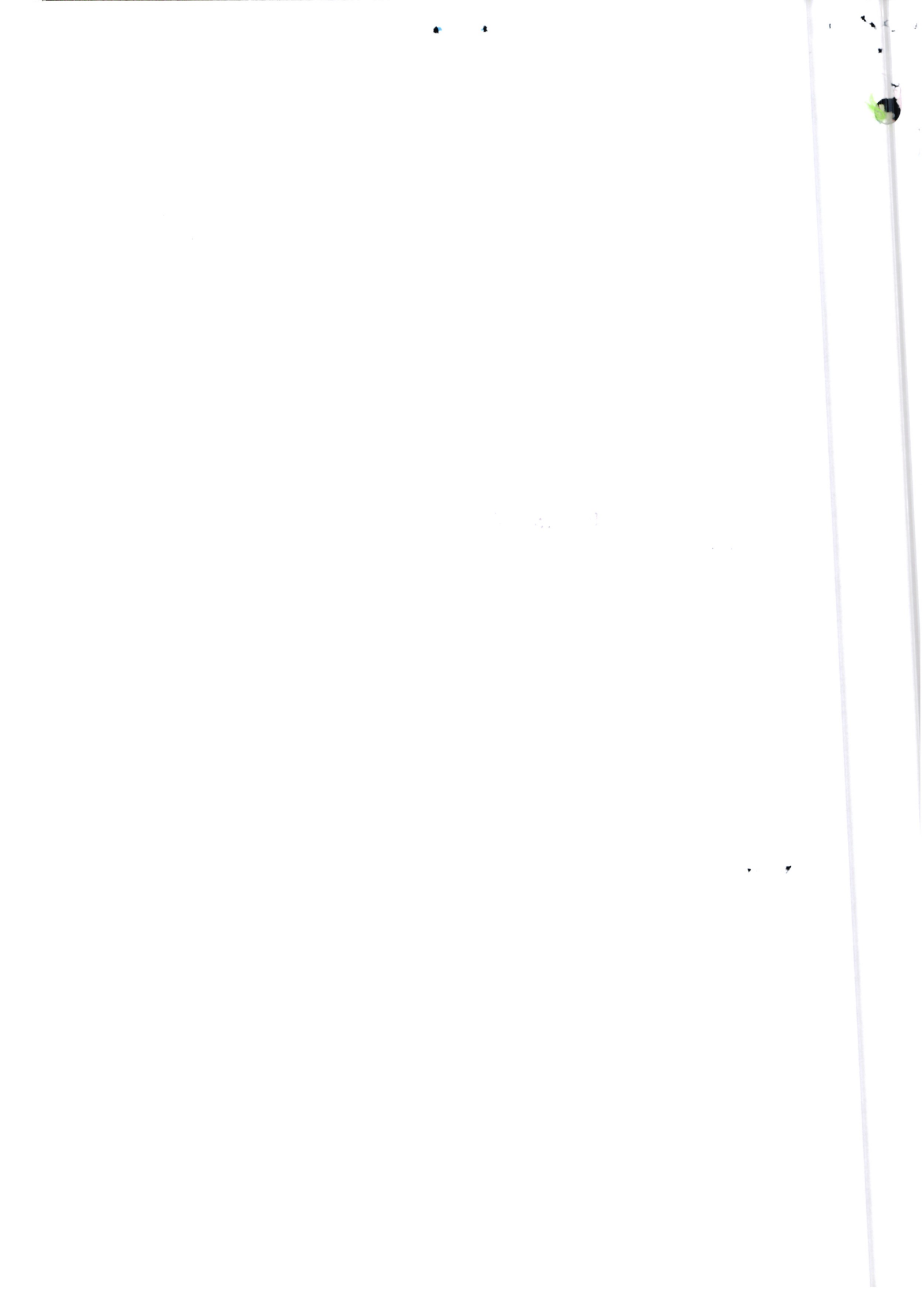
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| <br><b>REPORT</b> |             |
| THE NATIONAL ASSEMBLY<br>PAPERS LAID   |             |
| DATE: 02 FEB 2022  | DAY:<br>Wed |
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**THE AUDITOR-GENERAL**

**ON**

**ASSETS RECOVERY AGENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





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**ASSETS RECOVERY AGENCY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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

**ASSETS RECOVERY AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

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

The Agency commenced its financial operations in the FY 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. The Agency was allocated Kshs. 210.67 million for its operations for the FY 2017/18. The Agency also received a transfer of Kshs. 126,300,000 which was unspent balance for the FY 2016/17 from the OAG & DOJ.

During the FY 2019/20, the Agency was allocated Kshs 173,790,00 for its operations. The Agency also had Kshs 233, 440,790 as unspent balance for the FY 2019/20. Notably the Agency has been retaining its unspent balances pursuant to the provisions of Section 54A (6) of the Proceeds of Crime and Anti- Money Laundering Act.

### **(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 both within and without
- iii. Freezing assets suspected to be proceeds of crime held by persons under investigation or prosecution, preserving and maintenance of these assets
- iv. Seizure of proceeds of crime
- v. Recovery of proceeds of crime
- vi. Management of all preserved and recovered assets
- vii. Administering the criminal assets recovery fund as per the Act No.9 of 2009 (POCAMLA)
- viii. Doing and performing all such other acts or things as may be lawfully done by a body corporate.

### **(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

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**MANAGEMENT TEAM**

| No. | Designation                               | Name                           |
|-----|---|--------------------------------|
| 1.  | Director                                  | <b>Col. Alice M. Mate</b>      |
| 2.  | Under Secretary                           | <b>Mr. Timothy Nderitu</b>     |
| 3.  | Senior State Council                      | <b>Ms. Jennifer Gitiri</b>     |
| 4.  | Principal Supply Chain Management Officer | <b>Mr. Kennedy Ogwengo</b>     |
| 5.  | Principal Accountant                      | <b>Mr. Bonface P. O. Dimba</b> |

**(d) Fiduciary Oversight Arrangements**

The following structure are at formative stage and therefore will be functional in a years' time.

- Audit and finance committee
- Parliamentary committee activities
- Other oversight activities

**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(e) Entity Headquarters**

Assets Recovery Agency  
22<sup>nd</sup> Floor UAP Towers  
P.O. Box 52420-00100  
**NAIROBI.**

**(f) Entity Contacts**

Telephone: +254-020-2020282  
E-mail: [info@assetsrecovery.go.ke](mailto:info@assetsrecovery.go.ke)

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**(g) Entity Bankers**

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

**(h) Independent Auditors**

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

**MANAGEMENT TEAM**



**COL. ALICE M. MATE**  
**DIRECTOR**



**TIMOTHY NDERITU**  
**UNDER SECRETARY**



**JENNIFER GITIRI**  
**SENIOR STATE COUNSEL**



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

**ASSETS RECOVERY AGENCY**  
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**KENNEDY OGWENGO**  
**PRINCIPAL SUPPLY CHAIN MANAGEMENT**  
**OFFICER**

## **REPORT OF THE DIRECTOR**

### **Principal activities**

The Agency has undertaken the following activities during the FY 2019/2020

- The Agency initiated several investigations and successfully identified, traced, seized, preserved, and forfeited assets worth Kshs 4.5 Billion from proceeds of crime relating to complex financial cases in money laundering, drugs, and narcotics. The Agency also initiated economics crime cases Nairobi County, Nyeri County, Homabay County, and Mandera County.
- The Agency together with the relevant law enforcement agencies managed preserved and recover assets.
- The Agency with collaboration with the Salaries and Remuneration Commission conducted the Job Evaluation clinic and subsequently obtained the Job Evaluation results and salary structure which were unfavourable and have been appealed.
- The Agency together with the National Treasury finalized the Criminal Assets Recovery Fund (Administration) Regulations 2019 which have been forwarded to the Cabinet Secretary National Treasury through the Attorney General for onward transmission to the National Assembly.
- The Agency conducted sensitization workshops for investigation and prosecution agencies, to enhance knowledge on financial investigations and money laundering leading to recovery of proceeds of crime.
- Enhanced technical capacity of members of staff in various relevant areas of management and leadership, procurement, accounts, investigation, administration, and records management.
- Hired seven interns under the Public Service Internship Programme who are currently deployed to the Agency and undergoing training as analysts
- Participated in regional and international forums on asset recovery matters and reporting mechanisms.

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- The Agency moved its operations from the Attorney General's Chambers to UAP Towers, 22<sup>nd</sup> Floor.
- The Agency acquired additional office space at UAP Towers towards the projected expansion and full operationalization in the F/Y 2020/2021
- Procured goods and services for achievement of the Agency's mandate.

The Agency intends to undertake the following activities during the FY 2020/21

- Identify and trace proceeds of crime
- Institute seizure and forfeiture proceedings
- Manage preserved and recovered assets.
- Establish the Assets Recovery Agency Advisory Board once the amendments to POCAMLA are enacted
- Operationalize and administer the Criminal Assets Recovery Fund once the regulations are enacted
- Partition, furnish and fit out for use the additional office space
- Build capacity of staff on emerging legal issues on asset recovery
- Conduct staff trainings as per training needs assessment
- Hire additional staff in line with the staff establishment as stipulated in the Public Service approved Human Resources instruments
- Enhance technical capacity in Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) and financial investigations
- Conduct sensitization forums for law enforcement agencies, reporting institutions and regulatory authorities on the Proceeds of Crime and Anti-Money Laundering Act

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- Participate in regional and international forums on asset recovery and reporting mechanisms.
- Procure and implement the Agency's Enterprise Resource Planning (ERP)
- Formulate and develop the Agency's Strategic Plan in liaison with relevant government ministries and departments
- Develop and implement the Agency's website
- Procure I 2 Notebook Analyst software
- Train analysts on data analysis software tools to enhance financial investigations
- Procure goods and services that aid the Agency in achieving its mandate.



.....  
COL. ALICE M. MATE  
DIRECTOR

Date: 29/04/2021  
.....

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**STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 54D (2) of the Proceeds of Crime and Anti Money Laundering Act, require the Director to prepare financial statements in respect of the Assets Recovery Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Director is also required to ensure that the Assets Recovery Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Director 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 Agency for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

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

The Director accepts responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Director is of the opinion that the Assets Recovery Agency's financial statements give a true and fair view of the state of Agency's transactions during the twelve (12) months period ended June 30, 2020, 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.

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**Approval of the financial statements**

The Assets Recovery Agency's financial statements were approved by the Solicitor General on \_\_\_\_\_ 2021 and signed on its behalf by:

A large, dark, scribbled-out signature that has been redacted from the document.

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

A handwritten signature in blue ink that reads "Alice M. Mate".

.....  
**COL. ALICE M. MATE**  
**DIRECTOR**

## **REVIEW OF KENYA REGULATORY & NON - COMMERCIAL ENTERPRISE 'S PERFORMANCE FOR FY 2019/2020**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The Agency has initiated the development and subsequent implementation of its Strategic Plan where a zero draft is already in place. During the Financial Year 2020/2021 the Agency will finalize the process which will subsequently provide for strategic pillars and objectives within its Strategic Plan for the FY 2020/2021, 2022/2023, 2023/2024 and 2024/2025.

The Agency developed its annual work plans based on the principal activities as highlighted in POCAMLA.

### **CORPORATE GOVERNANCE STATEMENT**

The Agency does not have a Board.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Assets Recovery Agency exists strategic institution in the fight against corruption and economic crimes. The Agency is focused to putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements

#### **1. Sustainability strategy and profile -**

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

#### **2. Employee welfare**

The Agency human resource component is managed by the office of the Attorney General as the full delinking has not been achieved. However, the Agency conducted the yearly Training Needs Assessment to identify skills and competencies gap in

delivering its mandate and career progression and further recommended for the requisite training from the training funds as provided for in the budget.

The Agency performed exceptionally well in the annual performance appraisal system with fourteen of the employees deployed from the office of the Attorney General achieving above 100%. In future a reward system policy is will be developed to motivate members of staff.

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

**3. Market place practices-**

**Responsible Competition Practice**

The Agency accords free and fair chances to all our Vendors through giving equal opportunities and same ground level for competition.

Bidders are invited and bids evaluated based on Pre-determined parameters through fair, accountable, and regulatory complied processes. Awards and opportunities are accorded to the most responsive bidders through the fair processes.

As a result of strict adherence to all related regulatory frameworks and observance of best International Business Ethical Practices, Anti-corruption Policies are upheld as strictly adhered to.

The Organization is **APOLITICAL** owing to the unique operations, however, support all marketplace Agenda's as set by the ruling Government and Presidential Decrees/Orders.

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

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

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

**4. Responsible Supply Chain and Supplier Relations**

As an Agency, our interaction and management of our third party vendors charged with the responsibility of providing us with goods, materials, equipment, works and services is key and the process involves Strategic Planning and Sound Business Management of all level interactions.

This leads to execution of contracts with WIN WIN attributes as a result, payments to vendors are timely honoured if all contractual obligations are satisfied.

**5. Responsible Marketing and Advertisement Efforts in Maintaining Ethical Market Practices.**

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The Agency has made profound consideration into the kind of messages sent or published for consumption by the potential market place customers. As a policy any content that is communicated to consumers must be appropriate, easy to decipher not biased and must be as per technical requirements on request.

As an Agency we are committed to fair and uphold of ethical marketing practices as we build trust amongst our vendors and consumers by fulfilling our contractual obligations and standing every word we communicate.

**Product Stewardship - Efforts to safeguard consumer rights and interests.**

As an Agency, the above subject matter stands as one of the key priorities more so, being a **Law Enforcement Agency**.

In meeting this important objective, the Agency has enforced that for non-sophisticated buys; the domestic market must be promoted through purchase of locally manufactured goods, materials and labour. **"Buy Kenya Build Kenya"**.

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

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

**6. Community Engagements-**

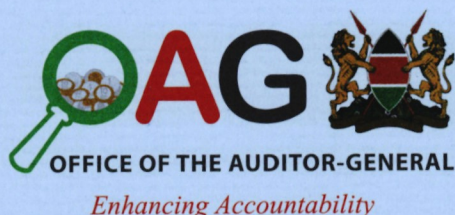
During the financial year the Agency engaged in sensitisation programmes in Western, Nyanza, Coast and Eastern Regions for law enforcement offices within the Multi Agency Team framework so as to enhance collaboration and cooperation in the fight against corruption and economic crimes while focusing on achieving the mandate of recovery of proceeds of crime.

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

The Agency in collaboration with the office of the Attorney General and Department of Justice and the Kenya Forest Service participated in the implementation of the Presidential Direction on improvement of forest cover through tree planting in Ngong forest where 5000 trees were planted.

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON ASSETS RECOVERY AGENCY FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Assets Recovery Agency set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of knowledge and belief were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of the Assets Recovery Agency as at 30 June, 2020, and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Proceeds of Crime and Anti-Money Laundering (Amendment) Act, 2017 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.290,808,827 under cash and cash equivalents which, as disclosed in Note 12 to the financial statements, includes an amount of Kshs.284,816,228 held in recurrent bank account at the Kenya Commercial Bank (KCB). However, the bank reconciliation statement reflects a cashbook balance of Kshs.284,759,217, resulting in an unexplained difference of Kshs.57,011. Further, the bank reconciliation statement also reflects payments in cashbook not in bank statement (unpresented cheques) totalling to Kshs.10,496,539, out of which cheques totalling to Kshs.360,100 were stale but had not been reversed in the cashbook.

In addition, the cash and cash equivalents balance of Kshs.290,808,827 includes an amount of Kshs.5,996,140 held in a confidential account in KCB. However, the bank reconciliation statement reflects a cashbook balance of Kshs.5,992,549 resulting in an unexplained difference of Kshs.3,591.

In the circumstance, the accuracy and completeness of cash and cash equivalents balance of Kshs.290,808,827 as at 30 June, 2020 could not be confirmed.

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

### **Un-Resolved Prior Year Matter**

### **Confidential Expenditure**

The statement of receipts and expenditure for the year ended 30 June, 2019 reflected a confidential expenditure of Kshs.6,250,000. However, payment certificates and declaration of the expenditure by the Cabinet Secretary and the Accounting Officer were not provided for audit verification. This is contrary to Section 93(18) of the Public Finance Management (National Government) Regulations, 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. The matter remained un-resolved as at 30 June, 2020.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Agency's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Agency or to cease operations.

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to continue sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**22 November, 2021**

**ASSETS RECOVERY AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

|   | Notes | 2019-2020          | 2018-2019          |
|---|-------|--------------------|--------------------|
|   |       | Kshs               | Kshs               |
| <b>Revenue from non-exchange transactions</b>               |       |                    |                    |
| Transfers from other governments-gifts and services-in-kind | 5     | 173,790,000        | 180,114,200        |
|   |       | <b>173,790,000</b> | <b>180,114,200</b> |
| <b>Revenue from exchange transactions</b>                   |       |                    |                    |
| Other income - Sale of tender documents                     | 6     | -                  | -                  |
| <b>Total revenue</b>  |       | <b>173,790,000</b> | <b>180,114,200</b> |
| <b>Expenses</b>   |       |                    |                    |
| Use of goods and services                                   | 7     | 0                  | -                  |
| Employee costs  | 8     | 39,253,816         | 40,125,896         |
| Confidential expense  | 9     | 8,553,591          | 6,250,000          |
| Repairs and maintenance                                     | 10    | 3,541,491          | 3,475,001          |
| General expenses  | 11    | 65,095,697         | 92,982,152         |
| Depreciation and amortization expense                       | 14    | 17,267,167         | 19,414,425         |
| <b>Total expenses</b>                                       |       | <b>133,711,762</b> | <b>162,247,474</b> |
| <b>Surplus/(deficit)for the period/year</b>                 |       | <b>40,078,238</b>  | <b>17,866,726</b>  |

The notes set out on page 6 to 30 form an integral part of these financial statements

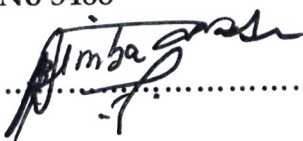
**ASSETS RECOVERY AGENCY**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

|   | Notes | 2019-2020          | 2018-2019          |
|---|-------|--------------------|--------------------|
|   |       | Kshs               | Kshs               |
| <b>Assets</b>                                       |       |                    |                    |
| <b>Current assets</b>                               |       |                    |                    |
| Cash and cash equivalents                           | 12    | 290,808,827        | 251,569,893        |
| Receivables and prepayment                          | 13    | 210,000            | 1,687,300          |
|   |       | <b>291,018,827</b> | <b>253,257,193</b> |
| <b>Non-current assets</b>                           |       |                    |                    |
| Property, plant and equipment                       | 14    | 59,155,750         | 59,831,200         |
| <b>Total assets</b>                                 |       | <b>350,174,577</b> | <b>313,088,393</b> |
| <b>Liabilities</b>                                  |       |                    |                    |
| <b>Current liabilities</b>                          |       |                    |                    |
| Trade and other payables from exchange transactions | 15    | 3,821,024          | 7,393,078          |
| Provisions  | 16    | 1,160,000          | 580,000            |
| <b>Total liabilities</b>                            |       | <b>4,981,024</b>   | <b>7,973,078</b>   |
| <b>Net assets</b>                                   |       | <b>345,193,553</b> | <b>305,115,315</b> |
| surplus Opening                                     |       | 305,115,315        | 287,248,589        |
| surplus for 2019/2020                               |       | 40,078,238         | 17,866,726         |
| <b>Total Net Assets &amp; Liabilities</b>           |       | <b>345,193,553</b> | <b>305,115,315</b> |

The financial statements set out on page 1 to 5 were signed on behalf of Assets Recovery Agency by:

**PRINCIPAL ACCOUNTANT**  
**BONFACE DIMBA**  
 ICPAK No 5488

Sign .....  .....

Date..... 29/04/21 .....

**DIRECTOR**  
**COL. ALICE M. MATE**

Sign.....  .....

Date..... 29/04/2021 .....

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**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

|  | <b>Retained Surplus</b> | <b>Total</b>       |
|--|-------------------------|--------------------|
| <b>As At July 1, 2018</b>              | <b>287,248,589</b>      | <b>287,248,589</b> |
| surplus for the year                   | 17,866,726              | 17,866,726         |
| <b>As at 30<sup>th</sup> June 2019</b> | <b>305,115,315</b>      | <b>305,115,315</b> |
| <b>As at 1<sup>st</sup> July 2019</b>  | <b>305,115,315</b>      | <b>305,115,315</b> |
| surplus for the year                   | 40,078,238              | 40,078,238         |
| <b>As at June 30, 2020</b>             | <b>345,193,553</b>      | <b>345,193,553</b> |

*Note:*

- 1. Items that are not common in the financial statements have been included in the note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
- 2. Prior year adjustment have been taken care of in the financial statement as should be. In such instances a restatement of the opening balances has been done.*

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

| <b>CASHFLOW STATEMENT</b>                                    | <b>2019-2020</b>   | <b>2018-2019</b>   |
|--|--------------------|--------------------|
|  | <b>Kshs.</b>       | <b>Kshs.</b>       |
| Cash flows from operating activities                         |                    |                    |
| Surplus  | 40,078,238         | 17,866,726         |
| Add depreciation of assets                                   | 17,267,167         | 19,414,425         |
| Decrease in receivables                                      | 1,477,300          | 3,230,775          |
| Increase in provisions                                       | 580,000            | 0                  |
| Decrease in Payables   | -3,572,054         | 6,493,078          |
| <b>Net cash flows from operating activities</b>              | <b>55,830,651</b>  | <b>47,005,004</b>  |
| Cash flows from investing activities                         |                    |                    |
| Purchase of property, plant, equipment and intangible assets | -16,591,717        | -20,875,901        |
| <b>Net cash flows used in investing activities</b>           | <b>-16,591,717</b> | <b>-20,875,901</b> |
| Cash flows from financing activities                         | -                  | -                  |
| <b>Net cash flows used in financing activities</b>           | <b>-</b>           | <b>-</b>           |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>39,238,934</b>  | <b>26,129,103</b>  |
| Cash and cash equivalents at 1 JULY 2019                     | 251,569,893        | 225,440,790        |
| <b>Cash and cash equivalents at 30 JUNE 2020</b>             | <b>290,808,827</b> | <b>251,569,893</b> |

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020**

|                                 | Original budget    |       | Adjustments        |       | Final budget       |       | Actual on comparable basis |       | Performance difference |       | Percentage |
|---------------------------------|--------------------|-------|--------------------|-------|--------------------|-------|----------------------------|-------|------------------------|-------|------------|
|                                 | 2019-2020          | Kshs. | 2019-2020          | Kshs. | 2019-2020          | Kshs. | 2019-2020                  | Kshs. | 2019-2020              | Kshs. |            |
| <b>Revenue</b>                  |                    |       |                    |       |                    |       |                            |       |                        |       |            |
| Government grants and subsidies | 198,740,000        |       | -24,950,000        |       | 173,790,000        |       | 173,790,000                |       | 0                      |       |            |
| Sale of goods                   |                    |       |                    |       |                    |       |                            |       | -                      |       |            |
| <b>Total income</b>             | <b>198,740,000</b> |       | <b>-24,950,000</b> |       | <b>173,790,000</b> |       | <b>173,790,000</b>         |       | <b>0</b>               |       |            |
| <b>Expenses</b>                 |                    |       |                    |       |                    |       |                            |       |                        |       |            |
| Use of goods and services       | 8,000,000          |       | (1,000,000)        |       | 7,000,000          |       | 0                          |       | 0                      |       | 100        |
| Employee costs                  | 60,000,000         |       | (5,000,000)        |       | 55,000,000         |       | 39,253,816                 |       | (15,746,184)           |       | -28.6      |
| Depreciation                    | 20,000,000         |       | (2,000,000)        |       | 18,000,000         |       | 17,267,167                 |       | (732,833)              |       | -4.1       |
| Confidential expense            | 20,000,000         |       | -                  |       | 20,000,000         |       | 8,553,591                  |       | (11,446,409)           |       | -57.2      |
| Repairs and maintenance         | 10,000,000         |       | (3,000,000)        |       | 7,000,000          |       | 3,541,491                  |       | (3,483,938)            |       | -49.4      |
| Other payments                  | 80,740,000         |       | (13,950,000)       |       | 66,790,000         |       | 65,095,697                 |       | (1,694,303)            |       | -2.5       |
| <b>Total expenditure</b>        | <b>198,740,000</b> |       | <b>-24,950,000</b> |       | <b>173,790,000</b> |       | <b>133,711,762</b>         |       | <b>(40,078,238)</b>    |       |            |
| <b>Surplus for the period</b>   |                    |       |                    |       |                    |       | <b>40,078,238</b>          |       |                        |       |            |

**Budget Notes**

1. Depreciation for the year could not be achieved because of less purchase occasioned by low expenditure due to covid-19
2. The underutilization of Confidential expense by 57% was due to inadequate staff as the Agency for Asset Tracing and Other covert expenditure.
3. The underutilization of repairs and maintenance was because the Agency was not fully operational. This was the third year and effect of Covid-19.
4. The underutilization of Other payments by 2.5% was also due to the covid-19 which limited operations of the Agency.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Assets Recover Agency is established by and derives its authority and accountability from Act No.9 of 2009(POCAMLA). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Recover Proceeds of theft, drugs and money laundering proceeds.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

### 3. DEPRECIATION POLICY

Assets recovery depreciated its assets on straight line basis, the depreciation policy is that assets are depreciated fully for the year of acquisition notwithstanding the day of purchase and zero depreciation in the year of disposal notwithstanding the day of disposal.

## ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

| Standard                                   | Impact  |
|--|---|
| IPSAS 40:<br>Public Sector<br>Combinations | <b>Applicable: 1<sup>st</sup> January 2019</b><br>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. |

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

| Standard                              | Effective date and impact:  |
|---------------------------------------|---|
| IPSAS 41:<br>Financial<br>Instruments | <b>Applicable: 1<sup>st</sup> January 2022:</b><br>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.<br>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| IPSAS 42:<br>Social Benefits          | <b>Applicable: 1<sup>st</sup> January 2022</b>  |

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| Standard  | Effective date and impact:   |
|---|--|
|   | <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>   |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |
| <p>Other Improvements to IPSAS</p>  | <p><b>Applicable: 1st January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</li> </ul> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p>  |

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| Standard | Effective date and impact:  |
|----------|---|
|          | <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> |

**iii. Early adoption of standards**

The entity did not early - adopt any new or amended standards in year 2020.

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

***Rendering of services***

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

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

***Sale of goods***

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

***Interest income***

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

- a) **Revenue recognition (Continued)**
  - ii) **Revenue from exchange transactions**

***Dividends***

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

***Rental income***

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

- b) **Budget information**

The original budget for FY 2019-2020 was approved by the National Assembly in July. 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

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budget. Accordingly, the entity recorded no additional appropriations for financial 2019-2020.

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

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

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

**c) Taxes**

***Current income tax***

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

***Deferred tax***

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

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**c) Taxes (Continued)**

*Sales tax*

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

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

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

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depreciated on applicable rates on the year of acquisition but not depreciated on the year of disposal.

|                            |       |
|----------------------------|-------|
| Computer and ICT equipment | 33.3% |
| Office equipment           | 20.0% |
| Furniture and Fittings     | 12.5% |
| Motor Vehicles             | 25.00 |

**f) Leases**

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**i) Research and development costs (Continued)**

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

**j) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

*Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and

only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators

- The debtors or an entity 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)

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### **k) 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.

#### **l) Provisions**

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

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

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

*Contingent liabilities*

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

*Contingent assets*

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**m) Nature and purpose of reserves**

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

**n) Changes in accounting policies and estimates**

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

**o) Employee benefits**

**Retirement benefit plans**

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

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

**p) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates

different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**q) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**r) Related parties**

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

**s) Service concession arrangements**

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

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

**t) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**Comparative figures**

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

**Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

**SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

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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:

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. (a) TRANSFERS FROM OTHER GOVERNMENTS**

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| Description        | 2019-2020          | 2018-2019          |
|--------------------|--------------------|--------------------|
|                    | Kshs.              | Kshs.              |
| Operational Grants | 173,790,000        | 180,114,200        |
| <b>Total</b>       | <b>173,790,000</b> | <b>180,114,200</b> |

**5. (b) 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 | 2019-2020          |
|--|--|---------------------------------------|------------------------------------|------------------------------------|--------------------|
|  | Kshs.  | Kshs.                                 | Kshs.                              | Kshs.                              | Kshs.              |
| Office of Attorney General and Department of Justice 2019-2020 | 173,790,000  | -                                     | -                                  | 173,790,000                        | 173,790,000        |
| <b>Total</b>   | <b>173,790,000</b>                                     | <b>-</b>                              | <b>-</b>                           | <b>173,790,000</b>                 | <b>173,790,000</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6 OTHER INCOME**

| Description                | 2019-2020 | 2018-2019 |
|----------------------------|-----------|-----------|
|                            | Kshs.     | Kshs.     |
| Income from sale of tender | -         | -         |
| <b>Total Other Income</b>  | <b>-</b>  | <b>-</b>  |

**7 USE OF GOODS AND SERVICES**

| Description                            | 2019-2020 | 2018-2019 |
|--|-----------|-----------|
|  | KShs      | KShs      |
| Subscriptions                          | 0         | 0         |
| Other general expenses                 | 0         | 0         |
| <b>Total Use of Goods and services</b> | <b>0</b>  | <b>0</b>  |

**8 EMPLOYEE COSTS**

|                             | 2019-2020         | 2018-2019         |
|-----------------------------|-------------------|-------------------|
|                             | Kshs.             | Kshs.             |
| Domestic Travel             | 33,039,961        | 29,803,209        |
| Foreign Travel              | 6,213,855         | 10,322,687        |
| <b>Total Employee Costs</b> | <b>39,253,816</b> | <b>40,125,896</b> |

**9 CONFIDENTIAL EXPENSE**

| Description                           | 2019-2020        | 2018-2019        |
|---------------------------------------|------------------|------------------|
|                                       | Kshs.            | Kshs.            |
| Confidential                          | 8,553,591        | 6,250,000        |
| <b>Total Confidential Expenditure</b> | <b>8,553,591</b> | <b>6,250,000</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10 REPAIRS AND MAINTENANCE**

| <b>Description</b>                   | <b>2019-2020</b> | <b>2018-2019</b> |
|--------------------------------------|------------------|------------------|
|                                      | <b>Kshs.</b>     | <b>Kshs.</b>     |
| Vehicles                             | 3,541,491        | 3,475,001        |
| Furniture and fittings               | -                | -                |
| <b>Total Repairs and Maintenance</b> | <b>3,541,491</b> | <b>3,475,001</b> |

**11 GENERAL EXPENSES**

| <b>Description</b>                                 | <b>2019-2020</b>  | <b>2018-2019</b>  |
|--|-------------------|-------------------|
|  | <b>Kshs.</b>      | <b>Kshs.</b>      |
| Insurance  | 51,000            | 65,843            |
| Bank Charges                                       | 80,759            | 80,044            |
| Consumables  | 1,381,969         | 742,304           |
| Communication, Supplies and Services               | 3,343,218         | 1,332,040         |
| Advertising, Printing, Stationery and Photocopying | 1,653,535         | 7,236,230         |
| Rent   | 16,715,304        | 14,381,261        |
| Training   | 5,214,674         | 3,111,960         |
| Fuel and oil                                       | 4,698,406         | 1,010,687         |
| Conference and Delegations                         | 2,600,968         | 20,913,394        |
| Legal expenses                                     | 3,302,250         | 4,638,835         |
| Audit fees   | 580,000           | 580,000           |
| Others Payments                                    | 25,473,615        | 38,889,554        |
| <b>Total General Expenses</b>                      | <b>65,095,698</b> | <b>92,982,152</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12 (a) CASH AND CASH EQUIVALENTS**

| Financial institution                | Account number | 2019-2020          | 2018-2019   |
|--------------------------------------|----------------|--------------------|-------------|
|                                      |                | Kshs.              | Kshs.       |
| <b>a) Current account</b>            |                |                    |             |
|                                      | Cash           | 50                 | <b>0</b>    |
| Kenya Commercial bank (Recurrent)    | 1210028794     | 284,816,228        | 237,023,753 |
| Kenya Commercial bank (Confidential) | 1248074947     | 5,992,549          | 14,546,140  |
| <b>Sub- total</b>                    |                | <b>290,808,777</b> | 251,569,893 |
| <b>Grand Total</b>                   |                | <b>290,808,827</b> | 251,269,893 |

**12 (b) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

| Financial institution                | Account number | 2019-2020          | 2018-2019   |
|--------------------------------------|----------------|--------------------|-------------|
|                                      |                | Kshs.              | Kshs.       |
| <b>a) Current account</b>            |                |                    |             |
|                                      | Cash at Hand   | 50                 |             |
| Kenya Commercial bank (Recurrent)    | 1210028794     | 284,816,228        | 237,023,753 |
| Kenya Commercial bank (Confidential) | 1248074947     | 5,992,549          | 14,546,140  |
| <b>Sub- total</b>                    |                | <b>290,808,827</b> | 251,569,893 |
| <b>Grand Total</b>                   |                | <b>290,808,827</b> | 251,569,893 |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13 RECEIVABLES AND PREPAYMENTS.**

| <b>Description</b>               | <b>2019-2020</b> | <b>2018-2019</b> |
|----------------------------------|------------------|------------------|
|                                  | <b>Kshs.</b>     | <b>Kshs.</b>     |
| <b>Current receivables</b>       |                  |                  |
| Outstanding Imprest              | -                | 1,487,300        |
| Prepayments                      | 210,000          | 200,000          |
| <b>Total Current Receivables</b> | <b>210,000</b>   | <b>1,687,300</b> |

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**14 PROPERTY, PLANT AND EQUIPMENT**

| Cost                          | Motor vehicles |             | Furniture and fittings |             | Computers |              | Total |              |
|-------------------------------|----------------|-------------|------------------------|-------------|-----------|--------------|-------|--------------|
|                               |                | KShs        |                        | KShs        |           | KShs         |       | KShs         |
| At 1st July 2019              |                | 22,031,000  |                        | 24,739,400  |           | 32,475,225   |       | 79,245,625   |
| Additions                     |                | -           |                        | 11,094,537  |           | 5,497,180    |       | 16,591,717   |
| Disposals                     |                | -           |                        | -           |           | -            |       | -            |
| At 30 <sup>th</sup> June 2020 |                | 22,031,000  |                        | 35,833,937  |           | 37,972,405   |       | 95,837,342   |
| Depreciation and impairment   |                |             |                        |             |           |              |       |              |
| At 1 July 2019                |                | (5,507,750) |                        | (3,092,425) |           | (10,814,250) |       | (19,414,425) |
| Depreciation                  |                | (4,130,813) |                        | (4,092,689) |           | (9,043,666)  |       | (17,267,167) |
| Disposals                     |                | -           |                        | -           |           | -            |       | -            |
| At 30 <sup>th</sup> June 2020 |                | (9,638,563) |                        | (7,185,114) |           | (19,857,916) |       | (36,681,592) |
| Net book values               |                |             |                        |             |           |              |       |              |
| At 30 <sup>th</sup> June 2020 |                | 12,392,438  |                        | 28,648,823  |           | 18,114,489   |       | 59,155,750   |
| At 30 <sup>th</sup> June 2019 |                | 6,176,909   |                        | 38,856,945  |           | 2,215,576    |       | 49,377,676   |

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**15 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

| Description                           | 2019-2020        | 2018-2019        |
|---------------------------------------|------------------|------------------|
|                                       | Kshs.            | Kshs.            |
| Trade Payables - Retention Fee        | 3,821,024        | 3,820,712        |
| Other Payable                         |                  | 3,572,360        |
| <b>Total Trade and Other Payables</b> | <b>3,821,024</b> | <b>7,393,078</b> |
|                                       | -                |                  |

**16 CURRENT PROVISIONS**

| Description             | 2019-2020        | 2018-2019      |
|-------------------------|------------------|----------------|
|                         | Kshs.            | Kshs.          |
| Provision for Audit Fee | 1,160,000        | 580,000        |
| <b>Total Provisions</b> | <b>1,160,000</b> | <b>580,000</b> |

**17 DISCLOSURE.**

As at 30<sup>th</sup> June 2020 the Agency was holding other bank accounts as shown below

| Description  | Account number | 2019-2020         | 2018-2019        |
|--|----------------|-------------------|------------------|
|  |                |                   | Kshs.            |
| Preservation Deposit Account                           | 1240221339     | 57,502,823        | 409,748          |
| Escrow Account -Ezekiel Owuor & assets recovery agency | 1236765893     | 1,200,000         | 1,200,000        |
| <b>Total</b>   |                | <b>58,702,823</b> | <b>1,609,748</b> |

**18 EVENTS AFTER THE REPORTING PERIOD**

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

**19 ULTIMATE AND HOLDING ENTITY**

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

**20 Currency**

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

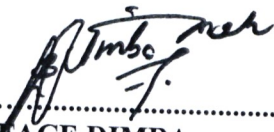
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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

| Ref. No. on the External Audit, Report | Issue/ Observation's from Auditor  | Management Comments  | Focal Point person to resolve the issue | Status      | Timeframe |
|--|--|--|---|-------------|-----------|
| 1. Confidential expenditure            | the statement of financial performance for the year ended 30 June, 2020 reflects confidential expenditure amounting to Kshs.8,553,591. 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 (National Government) Regulations, 2015 | The Accounting Officer signed the certificate and now awaiting the Solicitor General to sign | Director                                | In progress | June 2021 |

  
 .....  
 COL. ALICE M. MATE  
 DIRECTOR

Date.....29/04/2021.....

  
 .....  
 BONFACE DIMBA  
 PRINCIPAL ACCOUNTANT

Date.....29/04/21.....

