



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



AUDITOR-GENERAL'S PERFORMANCE AUDIT REPORT ON MANAGEMENT OF UNCLAIMED FINANCIAL ASSETS BY THE UNCLAIMED FINANCIAL ASSETS AUTHORITY

AUGUST 2025



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FOREWARD BY THE AUDITOR-GENERAL

I am pleased to present this Performance Audit Report on the Management of Unclaimed Financial Assets by the Unclaimed Financial Assets Authority. My Office carried out the audit under the mandate conferred to me by Section 36 of the Public Audit Act, 2015. The Act mandates the Office of the Auditor-General to examine the Economy, Efficiency, and Effectiveness with which public money has been expended pursuant to Article 229 of the Constitution.

Performance, financial, and compliance audits form the three-pillar audit assurance framework that I have established to give focus to the varied and wide scope of the audit work done by my Office. The framework is intended to provide a high level of assurance to stakeholders that public resources are not only correctly disbursed, recorded, and accounted for, but that the use of the resources results in positive impacts on the lives of all Kenyans. The main goal of our performance audits is to ensure effective use of public resources and promote service delivery to Kenyans.

The Report is submitted to Parliament in accordance with Article 229 (7) of the Constitution of Kenya, 2010, and Section 39 (1) of the Public Audit Act, 2015. In addition, I have submitted copies of the report to the Chief of Staff and Head of Public Service, Principal Secretary, The National Treasury and Chief Executive Officer, Unclaimed Financial Assets Authority.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

21 August, 2025

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TABLE OF CONTENTS

LIST OF ABBREVIATIONS	VIII
DEFINITION OF TERMS.....	IX
EXECUTIVE SUMMARY.....	I
Summary of Audit Findings	iii
Conclusion	v
Recommendations	vi
1.0 BACKGROUND TO THE AUDIT.....	1
Introduction	1
Motivation of the Audit	2
2.0 DESIGN OF THE AUDIT.....	3
Audit Objective.....	3
Audit Questions	3
Scope of the Audit.....	3
Sampling Criteria	4
Audit Criteria	5
Standards used to Conduct the Audit.....	5
Methods Used to Gather Audit Evidence	6
Methods of Data Analysis	6
3.0 DESCRIPTION OF THE AUDIT AREA	7
Legal and Institutional Framework	7
Key Role Players in the Management of Unclaimed Financial Assets	8
Process Description of the Management of Unclaimed Financial Assets	9
Sources of Funding.....	16
4.0 FINDINGS OF THE AUDIT.....	17
1. Low Level of Compliance by Holders in Surrender of Unclaimed Financial Assets to the Authority.....	17
a) Low level of Voluntary Surrender of Assets by Holders.....	17
b) Failure to Recover Unclaimed Financial Assets Identified During Compliance Audits	19
c) Non-Compliance by Public Institutions.....	23
2. Low Rate of Reunifying Unclaimed Financial Assets.....	27
a) Insufficient Contact Information Deterring Efforts to Locate Apparent Owners	28
b) Limitations in the Mechanisms Used to Locate and Notify Apparent Owners	30
c) Inability of Holders to Reunify Unclaimed Financial Assets at Source.....	32
d) Low Number of Claims Lodged and Delays in the Verification Process.....	33
3. Safeguarding of Unclaimed Financial Assets	40
a) The Authority Invested Trust Fund Receipts to Safeguard Unclaimed Financial Assets.....	40

b) Lack of a Mechanism to Receive and Safeguard Non-Cash Assets	41
c) Lack of Full Utilization of Investment Income Reserves for Long Term Socio-economic Development	42
4. Other Finding – Use of Outdated Data on the Number and Value of Unclaimed Financial Assets Held by Holders.....	44
5.0 CONCLUSION	46
6.0 RECOMMENDATIONS	48
7.0 APPENDICES	51
Appendix I: Documents Reviewed	51
Appendix II: Entities Interviewed	52
Appendix III: Reasons for Interviews	54
Appendix IV: Holders Remittance Forms	55
Appendix V: Unclaimed Financial Assets Management Response to Audit Findings, Conclusion and Recommendations.....	56

LIST OF TABLES

Table 1: Entities Sampled for the Audit.....	4
Table 2: Duration Taken before Financial Assets are Declared as Unclaimed Assets	10
Table 3: Documents Required to Lodge Claims.....	13
Table 4: The Authority's Budgetary Allocation and Expenditure.....	16
Table 5: Number of Holders that Voluntarily Remitted Unclaimed Financial Assets	18
Table 6: The Authority's Sensitization and Holders Outreach Initiatives.....	19
Table 7: Summary of Identified Unclaimed Financial Assets in the Compliance Audits	20
Table 8: Penalties Imposed on Unremitted Unclaimed Financial Assets	22
Table 9: Amount of Audit Fees Charged Compared with Amount Remitted to the Authority.....	23
Table 10: Number of Potential Holders of Unclaimed Financial Assets in the Public Sector.....	23
Table 11: Qualifying Unclaimed Financial Assets in the Sampled Public Institutions	24
Table 12: Potential Unclaimed Financial Assets Held by Law Courts	25
Table 13: Unclaimed Financial Assets Identified and Penalties Imposed to Universities	27
Table 14: Rate of Reunification of Unclaimed Financial Assets	28
Table 15: Data on Incomplete Records	29
Table 16: Details of Physical Visits Reunification Exercises	30
Table 17: Members of the Public in Reunification Clinics versus the Authority's Office.....	31
Table 18: Analysis of Records Received from Holders	35
Table 19: Delay in Reunification of Claims.....	37
Table 20: Chronology of Events Towards Alignment of Human Resource Instruments	39
Table 21: Amount of Unclaimed Financial Assets Invested	41
Table 22: Trust Fund Investment Income and Allocation Towards the Authority's Budget	42

LIST OF FIGURES

Figure 1: Process of Surrendering Unclaimed Financial Assets by Holders.....	14
Figure 2: Process of Reunification of Unclaimed Financial Assets	15
Figure 3: Trust Fund Receipts Across Time.....	18
Figure 4: Status of Unclaimed Financial Assets based on Compliance Audits	20
Figure 5: Reunification Clinics Cost Analysis.....	32
Figure 6: Analysis of Records Received from Holders	35
Figure 7: Trust Fund Investment, Proceeds and Utilization.....	43

LIST OF ABBREVIATIONS

ID	Identity
KRA	Kenya Revenue Authority
OAG	Office of the Auditor-General
SACCO	Savings and Credit Cooperative Societies
UFAA	Unclaimed Financial Assets Authority
UFAs	Unclaimed Financial Assets

DEFINITION OF TERMS

Term	Definition
Annuity Contract	A financial agreement between an individual and an insurance company.
Apparent Owner	An individual or entity that initially owned or held the financial asset before it qualified as unclaimed.
Claimant	An individual or entity who asserts their right to ownership of assets that have been deemed unclaimed. Categories of claimants include original owners, beneficiaries of deceased owners, business entities, and agents of apparent owners.
CR12	An official and legal confirmation obtained from the Company Registrar providing details on the shareholding or directorship of a company.
Demutualization	A process by which a private, member-owned company, such as a co-operative or a mutual life insurance company, legally changes its structure in order to become a public-traded company owned by shareholders.
Duly Commissioned Form	Confirmation by a Commissioner of Oaths that the information presented in a form and the signatures are authentic and correct.
Endowment Policy	An insurance policy by which a stated amount is paid to the insured after the period of time specified in the contract, or to the beneficiaries in case the insured dies within the time specified.
Holder	Entities which hold unclaimed financial assets on behalf of an owner. Holders may include banks, SACCOs, learning institutions, insurance companies, among others.
Indemnity Agreement	A legal document signed by a claimant to protect the Unclaimed Financial Assets Authority from any future liability or loss resulting from the release of unclaimed financial assets. Claimants are required to sign an

Term	Definition
	indemnity agreement before unclaimed financial assets are released.
Letters of Administration and Grant of Probate	Court documents that give a person the legal power to administer the estate of a deceased person.
Primary Claim	A claim made by an original owner of an unclaimed financial asset.
Reunification Clinics	Collaborative mechanisms modelled through a mobile outreach program that takes the Authority's services closer to the people at the grassroot level.
Reunification	The process of returning unclaimed financial assets, such as cash, shares, and assets in safe deposit boxes, to their rightful owners or beneficiaries.
Secondary Claim	A claim made by an agent on behalf of an original owner or a beneficiary claim.

EXECUTIVE SUMMARY

Background to the Audit

1. Unclaimed Financial Assets (UFAs) are assets that have been presumed abandoned and have been transferred to the Unclaimed Financial Assets Authority, where the rightful owners can make a claim.
2. Unclaimed financial assets can be in the form of cash assets or non-cash assets. Cash assets include dormant bank accounts, unclaimed deposits from collapsed financial institutions, unclaimed dividends, insurance benefits, utility deposits, and uncollected prize money. Non-cash assets include shares, safe deposit boxes, and gift certificates.
3. Unclaimed financial assets may result from: untimely deaths; immigration; loss of contacts and mergers of institutions; incomplete and outdated contact details; and the lack of public knowledge on dormancy periods of assets.
4. The Unclaimed Financial Assets Authority acts as a Trustee to the Unclaimed Assets Trust Fund and is mandated to receive unclaimed financial assets from holders of such assets, safeguard them, and pay out the assets due to the rightful owners.

Motivation of the Audit

5. The audit was motivated by the following factors:
 - i. **The substantial amount of unreported financial assets:** A Baseline Survey commissioned by the Authority in 2018 to determine the number of holders and estimate the value of unclaimed financial assets held by holders indicated that Kshs.241 billion in unclaimed financial assets were still unreported to the Authority and could grow by Kshs.156 billion by 2022. This implied non-compliance by holders, as substantial amounts of unclaimed financial assets had not been submitted to the Authority for safeguarding and reunification. An audit was therefore, important to establish the reasons for the low level of compliance.
 - ii. **Low rate of tracing and reunifying unclaimed financial assets to rightful owners by the Authority:** The Auditor-General's Financial Audit Report for the Authority for the period ending 30 June, 2022 indicated that although there had been an improvement in the reunification rate, from a low of less than 1% in 2017 to 3% in June 2022, the rate was still significantly low. An audit was

therefore necessary to assess whether the Authority is delivering on its mandate of tracing unclaimed assets and reunifying them with beneficiaries.

- iii. **Right to property:** Article 40 of the Constitution of Kenya, 2010, guarantees the right to property. This is directly linked to the mandate of the Authority of receiving unclaimed financial assets, safeguarding the assets to prevent misuse, and reuniting them to their rightful owners. An audit was necessary to assess whether the Authority is fulfilling its mandate towards ensuring that Kenyans exercise their right to property as enshrined in the Constitution of Kenya, 2010.

Audit Objective

6. To assess whether the measures put in place by the Unclaimed Financial Assets Authority are effective in: ensuring compliance of holders in the surrender of unclaimed financial assets; safeguarding the assets surrendered; and facilitating the eventual reunification of assets with the rightful owners.

Scope of the Audit

7. The audit examined how the Authority managed the Unclaimed Assets Trust Fund, referred to as the Trust Fund in this report, to ensure that unclaimed financial assets were received, safeguarded, and reunified with the rightful owners. Additionally, the audit examined how the Authority collaborated with the asset holders, apparent owners, and regulatory authorities in the receipt and reunification of unclaimed financial assets. The audit examined the activities of the Authority for the financial years 2018/2019 to 2023/2024, to determine the trend on how the Authority had performed in regard to the Authority's mandate.

Methods Used to Gather Audit Evidence

8. The methods used to gather audit evidence included; review of documents to obtain insights into the operational, financial, and compliance aspects of the unclaimed financial assets management process. In addition, interviews were conducted with the Authority's management and staff to get clarifications on the causes of the performance issues identified. Interviews were also conducted with financial assets holders, claimants, and regulators to obtain insights on the challenges in the

Authority's operations. Data analysis methods included content analysis for qualitative data, and descriptive statistics and trend analysis for quantitative data.

Summary of Audit Findings

i. Low Level of Compliance by Holders in Surrender of Unclaimed Financial Assets to the Authority

9. As at 1 August, 2024, the Authority had received Kshs.65 billion, out of the estimated Kshs.397 billion, in unclaimed financial assets, representing 16.4% of the projected total, based on the 2018 Baseline Survey. Additionally, the Authority achieved 65% of the targeted amount of Kshs.100 billion by the end of its 2018-2023 Strategic Plan. This indicates a relatively low compliance rate among holders in surrendering unclaimed assets. The low level of compliance was attributed to the following reasons:
- a) Low level of voluntary surrender of unclaimed financial assets by holders;
 - b) Failure to recover unclaimed financial assets identified during compliance audits; and
 - c) Non-compliance by public institutions in the surrender of unclaimed financial assets at their disposal to the Authority.

ii. Low Rate of Reunifying Unclaimed Financial Assets

10. As at 30 June, 2024, the Authority had received a total of Kshs.60 billion from holders, which consisted of Kshs.29.6 billion cash assets and Kshs.30.4 billion non-cash assets. As at the time of audit in August 2024, the Authority had reunified an average of 4.0% of the unclaimed financial assets. This was attributed to:
- a) Insufficient contact information, thereby deterring efforts to locate apparent owners;
 - b) Limitations in the mechanisms used to locate and notify apparent owners;
 - c) Inability of holders to reunify unclaimed financial assets at source; and
 - d) Low number of claims lodged and delays in the claim verification process.

iii. Safeguarding of Unclaimed Financial Assets

11. Section 44(2)(a) of the Unclaimed Financial Assets Act, 2011 requires holders of unclaimed cash assets to deposit the assets into the Trust Fund at the Central Bank

of Kenya. The Authority then invests these assets in government securities and uses a portion of the income to fund its operations, both subject to approval by the Cabinet Secretary, The National Treasury.

12. As at August 2024, the Authority had safeguarded through investment, Kshs.22.3 billion in government securities and generated an income of Kshs.13.1 billion over the financial years 2018/2019 to 2023/2024.

13. However, the audit revealed the following: -

a) Lack of a Mechanism to Receive and Safeguard Non-cash Assets

14. The Authority did not have a mechanism to receive and secure management of the 1.7 million units of non-cash assets in the form of shares, which remained in the custody of their original holders on account of the Authority not being allowed under the law to operate a Central Depository and Settlement Corporation (CDSC) account, which is necessary for facilitating the transfer of unclaimed shares.

b) Lack of Full Utilization of Investment Income Reserves for Long Term Socio-Economic Development

15. During the six-year review period, the Authority generated Kshs.13.1 billion in investment income. While Kshs.3.4 billion was used to finance the Authority's operations, Kshs.9.6 billion, representing 73.37% of the total investment income, was retained within the Trust Fund for reinvestment. This reinvestment strategy resulted in a continuous increase in unutilized investment income.

16. The audit established that there was no policy or legal framework to guide the full utilization of investment income for long-term socio-economic development, as envisioned in the 2008 Taskforce Report on Unclaimed Financial Assets. This resulted in unutilized reserves accumulating in the Trust Fund, leading to missed public investment opportunities. A comparative review with international jurisdictions revealed that other countries effectively utilize investment income from unclaimed financial assets to support socio-economic programs, such as education, healthcare, and community development.

iv. Use of Outdated Data on the Number and Value of Unclaimed Financial Assets Held by Holders

17. As at August 2024, the Authority did not have updated data on holders of unclaimed financial assets and the respective value of assets held. The Authority had last conducted a baseline survey in 2018, which was used to determine the number of holders and estimate the value of unclaimed financial assets held by holders. Additionally, the Authority had not established clear timeframes for updating the data in the baseline survey. This could result in under-reporting of unclaimed financial assets, thereby limiting the possibility of surrender and safeguarding by the Authority.

Conclusion

18. The enforcement mechanisms used by the Authority have not been effective in ensuring that holders of unclaimed financial assets surrender them to the Authority. This is evidenced by the fact that a significant portion of unclaimed financial assets have not been surrendered by holders, and the Authority has not recovered unclaimed financial assets identified during holders' compliance audits. As a result, the Authority has not been able to safeguard these assets for eventual reunification with the rightful owners.
19. The Authority has not reunified a substantial portion of the unclaimed financial assets held in the Trust Fund due to inadequate reunification mechanisms.
20. The mechanisms used by the Authority to process claims lodged by apparent owners are inefficient. The claim process is both costly and time consuming, especially to low-value claimants, since the process is applied uniformly to all claims regardless of the asset value. As a result, most surrendered assets remain idle, thereby denying the rightful owners' access to their assets and limiting their potential contribution to the economy.
21. The Authority has put in place mechanisms for safeguarding cash assets remitted by holders through investment in Government Securities. This has ensured adequate cash flows to settle approved claims and to finance the Authority's operations.
22. The Authority does not have a framework for safeguarding unclaimed non-cash assets, such as shares, which have remained with the original holders. This poses risks of loss and devaluation.

23. There is no framework governing the utilization of the balance of the investment income held in the Trust Fund. This restricts the use of the funds towards socio-economic development as envisioned in the Taskforce Report on Unclaimed Financial Assets, 2008. It also increases the risk of misapplication or loss of the funds.

Recommendations

a) Non-compliance by Holders in Surrender of Unclaimed Financial Assets to the Authority

24. To increase voluntary compliance by holders in surrender of unclaimed financial assets, the Authority should effectively create awareness among holders on the different categories of assets qualifying as unclaimed financial assets and the statutory timelines for remittances.
25. To enhance the recoverability of the unclaimed financial assets identified during compliance audits, the Authority should put in place effective mechanisms to close ongoing compliance audits.
26. For outsourced compliance audits, the Authority should introduce a clause in the contracts with outsourced compliance auditors, detailing how unresolved issues relating to closure of the audits should be dealt with. The contracts should also entail timelines for conducting and closure of the compliance audits. This will enhance efficiency in the recovery of unclaimed financial assets identified during audits.
27. To enhance compliance on surrender of unclaimed financial assets by public institutions, the Authority should develop and implement effective enforcement mechanisms including collaborations with the regulators in the different sectors, as well as other assurance providers, for example, external auditors. The Authority should also enhance communication and information sharing with public institutions.
28. To address the continued non-compliance by public institutions and to strengthen enforcement, the Authority should leverage on the requirement for public institutions to shift to the accrual basis of accounting. The accrual basis will enhance disclosure of the unclaimed financial assets and subsequent reporting to the Authority in accordance with the UFA Act, 2011.

b) Low Rate of Reunifying Unclaimed Financial Assets

29. The Authority, in collaboration with The National Treasury, should have the Unclaimed Financial Assets Act, 2011, and Unclaimed Financial Assets Regulation, 2016, amended to enable the Authority update holder reporting forms thus facilitating capture of relevant contact information of apparent owners. Additionally, this will enable the Authority to locate and notify apparent owners about the existence of their unclaimed financial assets for reunification.
30. To access more apparent owners of unclaimed financial assets during reunification exercises, the Authority should strengthen partnerships with county governments, the National Government Administrative Officers at the community level, the National Registration Bureau, and the Registrar of Companies. The collaborations will eventually increase the effectiveness of the mechanisms used to locate and notify apparent owners.
31. To enhance the reunification of unclaimed financial assets at source, the Authority should collaborate with holders of financial assets to update contact details of apparent owners. This will enable holders to have comprehensive information of the apparent owners for ease of location.
32. The National Treasury, should consider approving the proposed amendment to Section 45 of the Unclaimed Financial Assets Act, 2011 and Section 11 of the Unclaimed Financial Assets Regulations 2016, to include a differentiated claim process that does not burden low value claimants, thereby encouraging them to lodge claims. In addition, review of Section 28 of the Unclaimed Financial Assets Regulations, 2016 will give room to claimants to donate assets to a cause of their choice.
33. The Authority should increase its geographical presence by providing services through channels like Huduma Centres. This will increase the accessibility of their services by citizens and facilitate; receipt of assets from holders, reunification of assets to the rightful owners and provision of informational services to the public.
34. The Authority, in collaboration with The National Treasury, should follow-up with the Public Service Commission on the approval of the Authority's human resource instruments. The approval will facilitate the recruitment of technical staff, thereby

improving on efficiency and timeliness in reunification of unclaimed financial assets with the rightful owners.

c) Safeguarding of Unclaimed Financial Assets

35. The Authority, through The National Treasury, should develop a framework for the receipt and management of unclaimed non-cash assets from holders, for subsequent safeguarding and reunification.
36. To mitigate the risk of loss and misapplication of funds, The National Treasury should consider developing and implementing a framework for the utilization of the balance of income generated from the unclaimed financial assets for socio-economic development.

d) Use of Outdated Data on the Number and Value of Unclaimed Financial Assets Held by Holders

37. To provide accurate and current data on the number of holders and value of unclaimed financial assets, the Authority should update their current data and develop a framework for periodical updates of the data.

1.0 BACKGROUND TO THE AUDIT

Introduction

- 1.1 Unclaimed Financial Assets (UFAs) are assets that have been presumed abandoned¹ and have been transferred to the Unclaimed Financial Assets Authority (“the Authority”), where the rightful owners can make a claim. According to the Unclaimed Financial Assets Authority Act, 2011, unclaimed financial assets can be in the form of cash assets or non-cash assets.
- 1.2 Cash assets include dormant accounts at banks, unclaimed deposits and benefits from collapsed financial institutions, unclaimed dividends and interest earned from stocks and shares, and unclaimed utility deposits in power and water companies. Cash assets also include unclaimed retirement benefits at insurers and pension administrators, unclaimed death benefits and annuities from insurance companies, unclaimed cash bails, money deposited in law courts, and uncollected prize money, for instance, from a lottery.² Non-cash assets, on the other hand, consist of shares, safe deposit boxes, and gift certificates.
- 1.3 Unclaimed financial assets may result from untimely deaths, immigration, loss of contacts and mergers of institutions. Additionally, the assets may result due to incomplete and outdated contact details and the lack of public knowledge on dormancy periods of assets.
- 1.4 The Authority acts as a Trustee to the Unclaimed Assets Trust Fund (“Trust Fund”). The Trust Fund, created under Section 44 of the Unclaimed Financial Assets Authority Act, 2011, is mandated to receive unclaimed financial assets from holders of such assets, safeguard them, and pay out the assets due to the rightful owners. As part of safeguarding, the Authority invests the funds received in the Trust Fund. The Authority may use a portion of the income received to cover costs related to its administration and performance of its functions under the Act, as may be approved by the Cabinet Secretary, The National Treasury.

¹ For an asset to be presumed abandoned, it must fulfill the dormancy criteria as per the UFA Act, 2011. This could be due to insufficient information to locate and notify the apparent owners, the holder has not transferred the asset to the apparent owner or any other affiliated person.

² Section 3-18 of the Unclaimed Financial Assets Act, 2011.

Motivation of the Audit

1.5 The audit was motivated by the following factors:

- i. **The substantial amount of unreported financial assets:** A Baseline Survey commissioned by the Authority in 2018 to determine the number of holders and estimate the value of unclaimed financial assets held by holders, estimated that Kshs.241 billion in unclaimed financial assets were still unreported to the Authority and could grow by Kshs.156 billion by 2022. This implied non-compliance of holders, as substantial amounts of unclaimed financial assets had not been submitted to the Authority for safeguarding and reunification. An audit was therefore important to find out why the level of compliance of holders in surrender of unclaimed financial assets was low.
- ii. **Low rate of tracing and reunifying unclaimed financial assets to the rightful owners by the Authority:** The Auditor-General's Financial Audit Report for the Authority for the period ending 30 June, 2022, indicated that the Authority commenced receiving unclaimed financial assets from holders in 2014 and reuniting them with beneficiaries in 2016. Further, the report indicated that although there had been an improvement in the reunification rate, from a low of less than 1% in 2017 to 3% in June 2022, the rate was still significantly low. An audit was therefore, necessary to assess whether the Authority is delivering on its mandate of tracing unclaimed assets and reunifying them with beneficiaries.
- iii. **Right to property:** Article 40 of the Constitution of Kenya, 2010, guarantees the right to property. This is directly linked to the mandate of the Authority of:
 - a. Receiving unclaimed financial assets by ensuring that they are collected and documented;
 - b. Safeguarding unclaimed financial assets by protecting assets received from holders to prevent loss or misuse; and
 - c. Reuniting unclaimed financial assets with their rightful owners by actively working to find the rightful owners and reunite them with their assets.

An audit was necessary to assess whether the Authority was fulfilling its mandate towards ensuring that Kenyans exercise their right to property, as enshrined in the Constitution of Kenya, 2010.

2.0 DESIGN OF THE AUDIT

Audit Objective

2.1 The objective of the audit was to assess whether the measures put in place by the Unclaimed Financial Assets Authority are effective in: ensuring compliance of holders in the surrender of unclaimed financial assets; safeguarding the assets surrendered; and facilitating the eventual reunification of assets with the rightful owners.

Audit Questions

2.2 The main audit question was: Are the measures put in place by the Unclaimed Financial Assets Authority effective in ensuring holders compliance in the surrender of unclaimed financial assets, safeguarding the surrendered assets, and facilitating their eventual reunification with the rightful owners?

2.3 The audit sub-questions were:

- i. To what extent has the Authority ensured compliance of holders of unclaimed financial assets in the surrender of the assets to the Authority?
- ii. To what extent has the Authority ensured reunification of unclaimed financial assets?
 - a. Are the mechanisms put in place by the Authority to locate and notify the rightful owners of unclaimed financial assets adequate?
 - b. Are the mechanisms put in place to process valid claims to the rightful owners efficient?
- iii. To what extent does the Authority ensure effective safeguarding of all the unclaimed financial assets remitted by holders?
 - a. To what extent has the Authority ensured investment of unclaimed financial assets received from holders?
 - b. To what extent has the Authority ensured utilization of investment income?

Scope of the Audit

2.4 The audit examined how the Authority managed the Trust Fund to ensure that unclaimed financial assets were received, safeguarded and reunified with the rightful owners. Additionally, the audit examined how the Authority collaborated with the asset holders, apparent owners, and regulatory authorities in the receipt and reunification of

unclaimed financial assets. The audit examined the activities of the Authority for the financial years 2018/2019 to 2023/2024 to determine the trend on how the Authority had performed in regard to the Authority's mandate. Additionally, the team considered six (6) years to be a sufficient period over which the performance trend would be assessed. The audit was conducted between July 2023 to August 2024.

Sampling Criteria

- 2.5 The Audit Team used purposive sampling and selected eight (8) out of forty- seven (47) counties: Nairobi, Embu, Kisumu, Narok, Machakos, Nyeri, Garissa, and Mombasa. The factors considered in sampling the counties included representation of holders in key sectors, regional balance, the amount of unclaimed financial assets remitted by various holders, the classes of assets held, and categories of apparent owners. When sampling apparent owners, the Audit Team also considered the value of unclaimed financial assets held by apparent owners and their traceability³. Additionally, the team considered the distribution of unclaimed financial assets across various counties and included counties where the Authority had conducted reunification clinics.
- 2.6 In the sampled counties, the Audit Team further sampled holders, apparent owners, regulators, and the Public Trustee who processed claims for beneficiaries of deceased owners. The number of entities sampled under each category is indicated in **Table 1**.

Table 1: Entities Sampled for the Audit

S/no	Category	Entity	Number
1.	Holders	Banks	5
		Universities	7
		SACCOs	8
		Pension schemes	2
		Insurance companies	2
		Telecommunication companies	2
		Law courts	6
2.	Apparent Owners		11
3.	Public Trustee		6
4.	Regulators		2

³ May fall into original owners, beneficiaries of deceased owners and business entities.

Audit Criteria

2.7 The assessment criteria for the audit included: -

- i. Section 20 of the Unclaimed Financial Assets Act, 2011 stipulates that any person holding assets presumed abandoned and subject to the custody of the Authority as unclaimed assets shall make a report concerning the assets to the Authority on or before 1st November of each year.
- ii. Section 35 of the Unclaimed Financial Assets Authority Act, 2011 stipulates that the Authority shall make reasonable efforts to locate the owner of assets in the custody of the Authority and notify him/her.
- iii. The Unclaimed Financial Assets Authority Strategic Plan 2018-2023 indicate that the Authority undertook to reunify 100% of valid claims annually. Additionally, the Authority had planned to review the Turn Around Time (TAT) of reunification to below forty-five (45) days.
- iv. According to the Unclaimed Financial Assets Regulations of 2016, the Authority was to invest 10% of monies in the Trust Fund in cash and current accounts, savings, deposits, call, and fixed deposits. Additionally, the Authority was to invest 90% of the remainder in government securities and bonds. These are monies that were not required to be applied for the purpose of the Fund.
- v. Section 44 of the Unclaimed Financial Assets Act, 2011 stipulates that part of the investment income was to be utilized for the administration of the Authority and performance of its functions under the Act, as may be approved by the Cabinet Secretary, The National Treasury.

Standards used to Conduct the Audit

2.8 The audit was conducted in accordance with the Performance Audit Standard, ISSAI 3000. The Standard requires that the audit is planned and performed to obtain sufficient and appropriate audit evidence. The Standard also requires that the audit should provide a reasonable basis for the findings, conclusions, and recommendations, based on the audit objectives.

Methods Used to Gather Audit Evidence

2.9 To assess the effectiveness of the measures in place to ensure receipt, safeguarding, and reunification of unclaimed financial assets to the rightful owners, the following methods were used to collect audit evidence: -

- a) **Document Review:** The Audit Team reviewed relevant documents such as compliance audit reports, claims register, records of apparent owners received from holders, stakeholders' awareness and sensitization reports, reunification exercise reports, Rapid Results Initiative (RRI) Reports, data on Trust Fund growth, and other documents listed in [Appendix I](#). These documents provided insights into the operational, financial, and compliance aspects of the unclaimed financial assets management process.
- b) **Interviews:** The Audit Team interviewed various key personnel within the Authority in order to get clarification on the causes of the performance issues identified. The interviews further provided insights into the existing challenges in the Authority's operations. Additionally, the team interviewed sampled holders, claimants, regulators and the Public Trustee, as detailed in [Appendix II](#). This was to assess compliance, the process and cost of lodging claims, as well as challenges and recommendations for further improvements. Detailed reasons for conducting the interviews are highlighted in [Appendix III](#).

Methods of Data Analysis

2.10 The Audit Team gathered quantitative and qualitative data to address the audit objectives, audit questions, and conclude on the audit. The team used content analysis to analyse qualitative data, while descriptive statistics and trend analysis, through graphs, was used to analyse quantitative data.

3.0 DESCRIPTION OF THE AUDIT AREA

Legal and Institutional Framework

3.1 The Unclaimed Financial Assets Authority is a State Corporation under The National Treasury. The legal and policy documents that guide the Authority in the execution of its mandate include the following: -

- i. **The Unclaimed Financial Assets Act, 2011**- which established the Unclaimed Financial Assets Authority and Unclaimed Financial Asset Trust Fund and provides for the administration of unclaimed financial assets.
- ii. **The Unclaimed Financial Assets Regulations, 2016** - which operationalized the Unclaimed Financial Assets Act, 2011 providing more detailed guidelines and rules for the implementation of the Unclaimed Financial Assets Act.

Statutory Mandate of the Unclaimed Financial Assets Authority

3.2 The Unclaimed Financial Assets Authority is mandated to receive unclaimed financial assets, safeguard and re-unite them with their rightful owners⁴. Specifically, the Authority is responsible for the following: -

- i. Ensuring that holders of unclaimed financial assets reunite them with the rightful owners or surrender them to the Authority;
- ii. Carrying out examinations and inspections of unclaimed financial assets to ensure accurate reporting by the holders;
- iii. Ensuring that all relevant information on unclaimed financial assets is submitted to the Authority and maintained in a database;
- iv. Receiving all unclaimed financial assets required by the Act to be made to the Unclaimed Assets Trust Fund;
- v. Locating and notifying owners of the unclaimed financial assets;
- vi. Making payments out of the Trust Fund to the identified owners of unclaimed financial assets according to the provisions of the Act;
- vii. Acting as the Trustee of the Trust Fund, and;
- viii. Managing and investing the funds received in the Trust Fund.

⁴ Section 41 of the Unclaimed Financial Assets Act, 2011

Key Role Players in the Management of Unclaimed Financial Assets

The National Treasury

- 3.3 The National Treasury is responsible for the development of a supportive legal and policy framework, approval of the Authority's budgets, authorization of transfers from the Trust Fund for investment, and budget utilization.

Holders of Unclaimed Financial Assets

- 3.4 Holders of unclaimed financial assets are obligated to make reasonable efforts to locate rightful owners of assets in their custody and report unclaimed financial assets to the Authority in a timely manner, following the prescribed procedures. By fulfilling these responsibilities, holders contribute to the efficient management and utilization of unclaimed financial assets and facilitate the process of reuniting owners with their rightful assets.

Claimants of Unclaimed Financial Assets

- 3.5 Claimants of unclaimed financial assets are the possible rightful owners, pending verification of their claims by the Authority. They are responsible for providing timely, complete, and accurate claim documentation for prompt settlement of their claims. The claimants are also entitled to be well-informed on the reunification process, as well as their rights and the relevant procedures on the claim process.

Regulatory Institutions

- 3.6 Regulatory institutions such as the Central Bank of Kenya, Capital Markets Authority (CMA), Insurance Regulatory Authority (IRA), and Institute of Certified Public Accountants of Kenya (ICPAK) collaborate with the Authority to ensure compliance of holders with Section 20 of the Unclaimed Financial Assets Act, 2011. They achieve this by sensitizing holders under their purview, disclosing their holders' unclaimed financial assets information to the Authority, and providing technical support to the Authority. Further, the regulators act as mediators on issues raised from compliance audits on holders, by sharing their expertise and knowledge on their respective industries.

Process Description of the Management of Unclaimed Financial Assets

a) The Process of Financial Assets Qualifying as Unclaimed

3.7 For a financial asset to qualify as unclaimed, and thus be submitted to the Authority by the holder, it has to meet the following conditions:

- i. The records of the holder should be insufficient to identify the owner of the asset;
- ii. The holder of the asset must not have previously paid or delivered the assets to the owner or any other person who is entitled to the asset; or
- iii. The last known address of the owner must be in a country that does not provide, by law, for reversion of property to the State when the owner dies without legal heirs, or its unclaimed asset law is not applicable to the assets, and the holder is domiciled in Kenya; and
- iv. The asset has fallen dormant based on criteria set in the Unclaimed Financial Assets Act, 2011, as indicated in **Table 2**.

Table 2: Duration Taken before Financial Assets are Declared as Unclaimed Assets

Asset	Duration
Money order or similar written financial or monetary instrument	2 years from the date of issuance
Traveller's cheque	2 years from the date of issuance
Cheques, draft or similar instruments	2 years after it was payable or after its issuance
Demand, savings, matured time deposits, funds paid towards the purchase of a share, mutual investment certificate, any other interest in a financial institution.	5 years
Life or endowment insurance policy or annuity contract	2 years after the funds become due
Assets as a result of demutualization of an insurance policy	2 years after the date of demutualization
Deposits for utility services for instance electricity, water, among others	2 years after termination of the service
Order by a court for a refund by the holder	2 years after it became payable.
Ownership interest	3 years
Assets from a dissolved business entity	2 years
Assets held in a fiduciary capacity	2 years after they become payable
Gift certificate, gift card or credit memo/note	5 years
Unpaid wages	1 year after they become payable
Assets held in safe deposit box or repository	2 years after the lease or rental period on the box or repository has expired

Source: OAG Review of the Unclaimed Financial Assets Act, 2011

3.8 Once the financial assets meet the above-mentioned conditions, the holders identify and segregate the unclaimed financial assets in order to notify, locate and reunify the assets with the rightful owners.

b) Reunification of Unclaimed Financial Assets at Source by Holders

3.9 Holders identify unclaimed financial assets from their records and make all reasonable efforts to locate and notify apparent owners of the assets⁵. This notification is done through postal addresses, telephone numbers, email addresses, and utilization of next of kin details provided by the apparent owner during account opening or on first contact. The holder advises the identified apparent owner to reactivate the status of their assets, failure to which they qualify for remittance to the

⁵ Section 19 of the Unclaimed Financial Assets Act, 2011

Authority. Unclaimed financial assets whose apparent owners cannot be traced are also remitted to the Authority for safeguarding and reunification.

c) Remittance of Unclaimed Financial Assets to the Authority by Holders

3.10 Holders of assets presumed abandoned and subject to the custody of the Authority are required to report and deliver the assets to the Authority on or before 1st November of each year. However, the Authority encourages continuous submission of these assets. Holders of cash assets are expected to deposit the assets into the Trust Fund Account at the Central Bank of Kenya and prepare a report for submission to the Authority. Holders of non-cash assets such as safe deposit boxes and shares are also expected to submit a report of these assets to the Authority, but do not relinquish possession of the assets.

3.11 The reports comprise all necessary information about the assets, including the owner's details, last known address, account numbers and amount due and any additional information that would aid in reunifying the unclaimed assets with the rightful owners. The Authority also carries out compliance audits on holders to ascertain the accuracy of the remitted assets and to identify instances of non-compliance.

3.12 Failure of a holder to wilfully report any unclaimed financial assets under their custody renders them liable for a penalty of Kshs.7,000, but not more than Kshs.50,000 for each day the report is withheld. Additionally, the holder shall be liable to pay a penalty equal to 25% of the value of the asset that should have been paid or delivered.

d) Safeguarding of Unclaimed Financial Assets by the Authority

3.13 The Trust Fund receives the unclaimed financial cash assets and ensures their safe custody and investment. The Fund is required to safeguard the right to perpetual reunification, guaranteeing repayment of the original principal sum owing to rightful apparent owners. The Authority invests 100% of the available funds in government securities and utilizes a proportion of the accrued Trust Fund income towards the Authority's operations. Both the investment and utilization of proceeds are done upon approval by the Cabinet Secretary, The National Treasury.

e) Reunification of Unclaimed Financial Assets by the Authority

3.14 Reunification of unclaimed financial assets is the process through which apparent owners are located, notified and reunited with their unclaimed financial assets. The following process is followed: -

i. Location and Notification of Apparent Owners

3.15 The Authority locates and notifies apparent owners by carrying out public awareness through media and reunification clinics. This is to inform the public of the existence of the Authority, the unclaimed financial assets they hold, and possible channels of searching for their assets, which include dialling *361# or visiting the Authority's website. The reunification clinics are set up in accessible locations, and their dates and times publicised in advance. They provide a one-stop centre for potential claimants to search and confirm if they have any unclaimed financial assets with the Authority. The apparent owners who identify assets held by the Authority can then commence the claim process.

ii. The Claim Process

3.16 The claim process involves lodging of claims, verification and subsequent payment of the claims, as detailed below: -

Lodging of Claims

3.17 Once the claimants have confirmed that their assets are held by the Authority, they lodge their claims by filling the requisite claim forms, as well as an indemnity agreement form, depending on whether one is the original owner, beneficiary, a business entity or an agent of the owner(s).

3.18 All the claim forms must be commissioned by a commissioner for oaths and must be supported by relevant documents, as indicated in **Table 3**. The Authority only accepts fully supported claims for verification.

Table 3: Documents Required to Lodge Claims

Details	Original Owner	Beneficiary	Agent	Business Entity
Commissioned claim form	√	√	√	√
Indemnity agreement downloaded from the Authority's website	√	√	√	√
Certified copy of National ID/Passport	√	√	√	
Copy of KRA PIN	√	√	√	√
Holder's letter obtained from the holder of an unclaimed financial asset	√	√	√	√
CR12				√
Certified copy of Director's Identity Documents				√
Copy of directors' KRA PIN certificates				√
Certificate of Incorporation				√
Death certificate		√		
Bank details	√	√	√	√
Letters of administration/certificate of confirmation of grant		√		
Power of Attorney registered under the Registration of Documents Act			√	

Source: OAG Analysis of the Authority's Claim Policy

Claims Verification

- 3.19 Once a claim is lodged, the Authority subjects the claim documents to a thorough check to verify the authenticity or validity of the claim. The process includes verifying the accuracy of the amounts, ownership of the assets, KRA PIN, validity of the National Identification Card and status of payment. In case of a beneficiary claim, there is verification of the death certificate, letters of administration and/or certificate of grant. A holder's letter is issued by a holder to the claimant confirming ownership of unclaimed financial assets remitted to the Authority.
- 3.20 Claims submitted by administrators of the estate of deceased persons and agents of original owners are published in the Kenya Gazette and in at least two (2) newspapers of wide circulation to confirm if there is any objection to their payment. If there is no objection within thirty (30) days, payment is made.

Payment of Claims

3.21 Upon successful verification, claims are approved accordingly and the Authority pays out of the Trust Fund, the original amount to the rightful owner.

3.22 The process description of the management of unclaimed financial assets is as illustrated in **Figure 1** and **Figure 2**.

Figure 1: Process of Surrendering Unclaimed Financial Assets by Holders

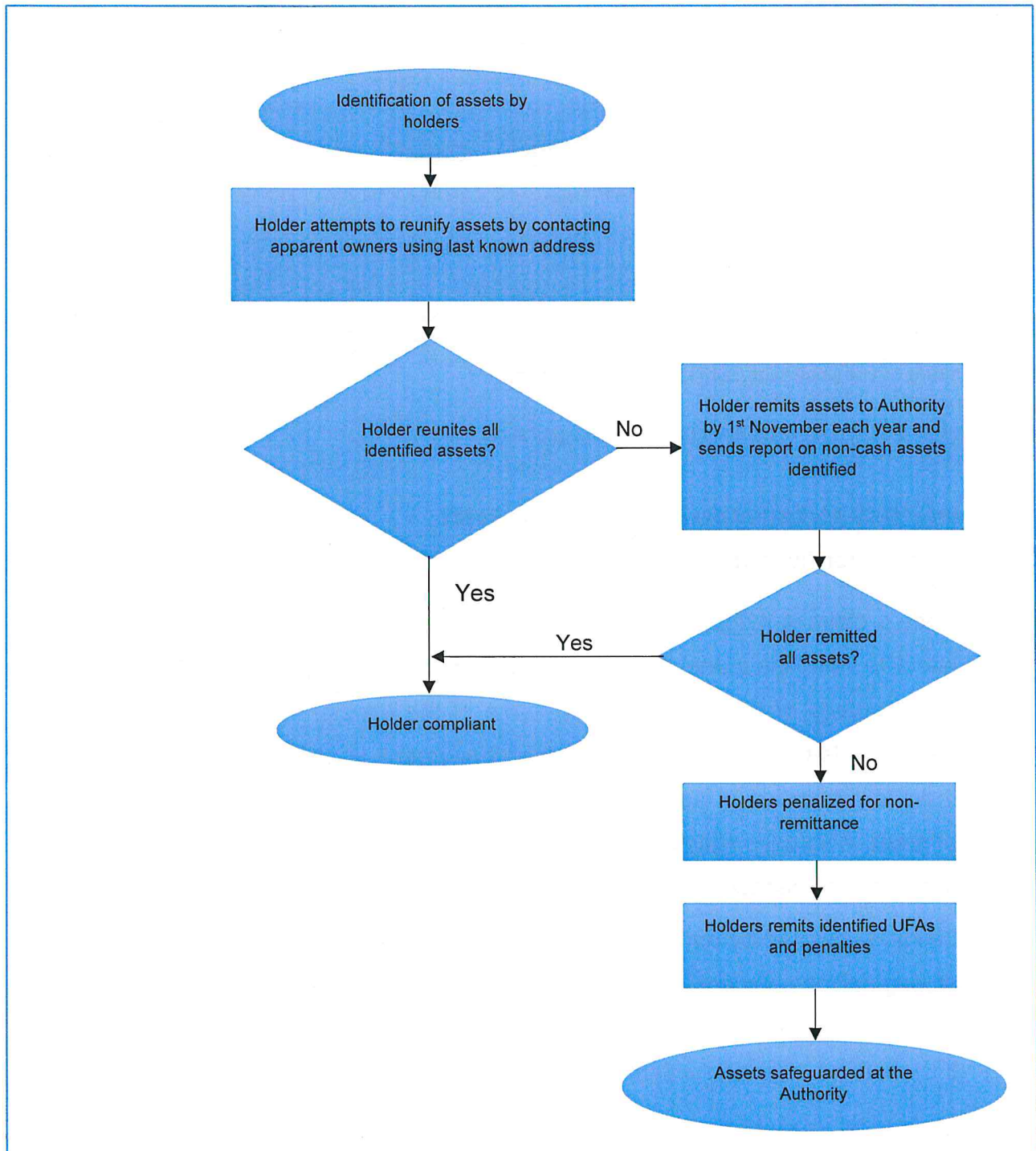
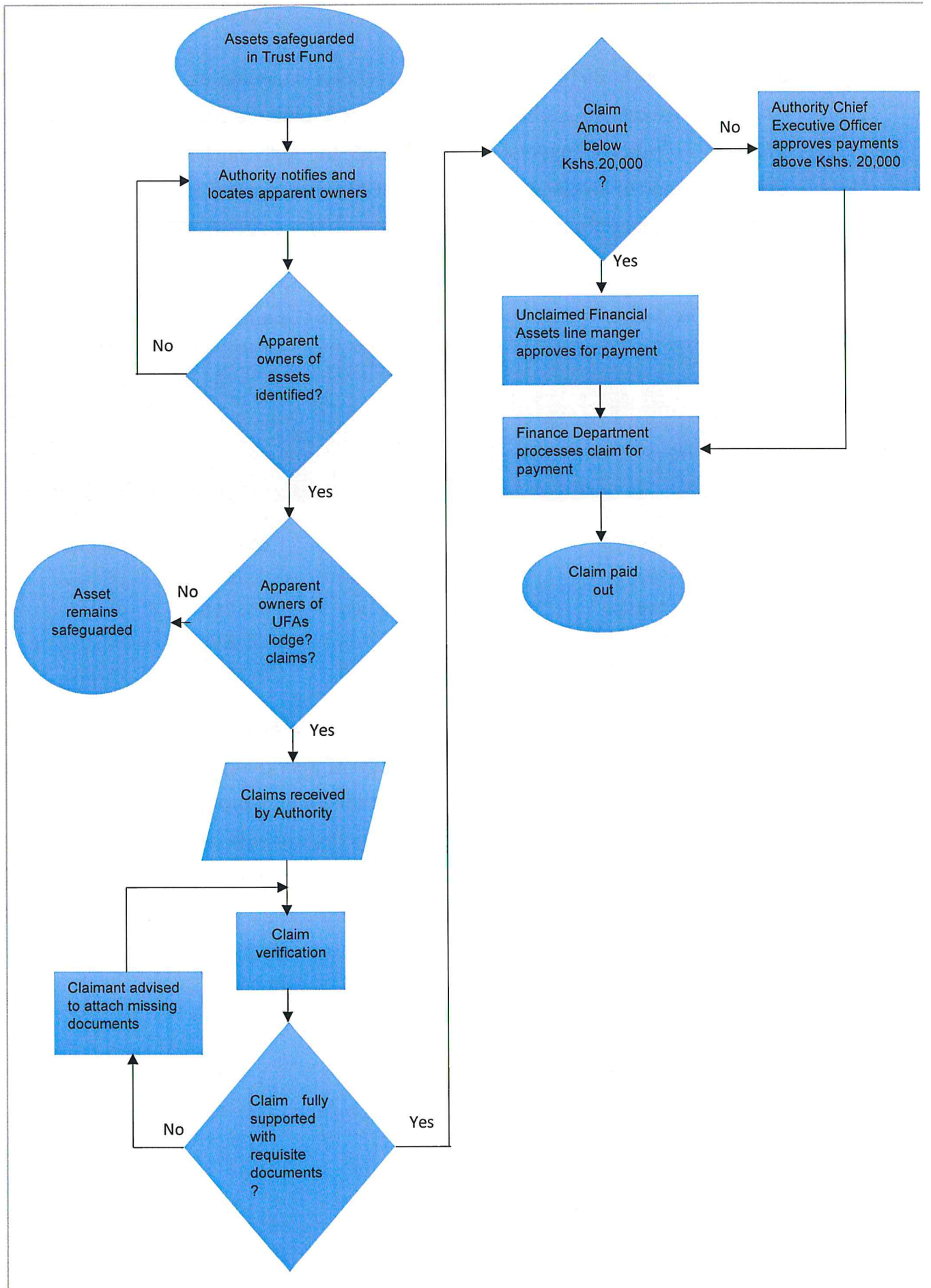


Figure 2: Process of Reunification of Unclaimed Financial Assets



Sources of Funding

3.23 Since inception in 2014, the Authority has been financing its operations through exchequer allocations and Appropriations-in-Aid, until the end of the financial year 2021/2022. From the financial year 2022/2023, the Authority financed its operations using proceeds of investment of unclaimed financial assets. The amount allocated versus expenditure for the financial years 2018/2019 to 2023/2024 are as shown in Table 4.

Table 4: The Authority's Budgetary Allocation and Expenditure

Financial Year	Exchequer Allocation (Kshs.) '000'	Trust Fund Income Budgeted Allocation (Kshs.) '000'	Actual/Total Allocation (Kshs.) '000'	Expenditure (Kshs.) '000'	Budget Absorption Rate
2018/2019	207,780	354,676	562,456	528,898	94.03%
2019/2020	199,900	458,300	658,200	604,204	91.80%
2020/2021	296,980	714,100	1,011,080	506,571	50.10%
2021/2022	149,900	559,600	709,500	535,751	75.51%
2022/2023	0	651,030	716,780	497,610	64.00%
2023/2024	0	761,398	768,898	563,230	73.00%

Source: OAG Analysis of the Authority's Audited Financial Statements

3.24 The Authority did not achieve 100% utilization of their budget allocation across the six (6) financial years. This was partly due to the lengthy process in developing and approval of the Authority's human resource instruments by the Public Service Commission, which were necessary for onboarding additional staff. The significant underutilization of funds in the financial year 2020/2021 was due to the impact of Covid-19, which hindered the implementation of the planned stakeholder engagement activities.

4.0 FINDINGS OF THE AUDIT

4.1 This chapter presents the audit findings on the Authority's efforts to ensure compliance by holders in surrendering unclaimed financial assets, safeguarding them, and ultimately reuniting them with their rightful owners. The details are as provided below.

1. Low Level of Compliance by Holders in Surrender of Unclaimed Financial Assets to the Authority

4.2 Any person holding unclaimed financial assets is required to make a report concerning the assets to the Authority on or before 1st November of each year.⁶ Surrender of all unclaimed financial assets to the Authority ensures that the assets are safeguarded for subsequent reunification to the rightful owners.

4.3 As at 1 August, 2024, the Authority had received Kshs.65 billion, out of the estimated Kshs.397 billion, in unclaimed financial assets, representing 16.4% of the projected total, based on the 2018 Baseline Survey. Additionally, the Authority achieved 65% of the targeted amount of Kshs.100 billion as per its 2018-2023 Strategic Plan. This indicates a relatively low compliance rate among holders in surrendering unclaimed assets. The low level of compliance was attributed to the following reasons: -

a) Low level of Voluntary Surrender of Assets by Holders

4.4 To enhance holder compliance, the Authority during their sensitization campaigns encouraged voluntary declaration and surrender of unclaimed financial assets on a yearly basis.⁷ However, the audit revealed that the maximum number of holders who had voluntarily remitted unclaimed financial assets to the Authority was 644, compared to the potential holders' universe of 477,112, as per the Authority's Baseline Survey Report of 2018. Analysis of holders that voluntarily remitted the assets to the Authority between the financial years 2018/2019 to 2023/2024 is as indicated in **Table 5**.

⁶ Section 20 of the Unclaimed Financial Assets Act, 2011

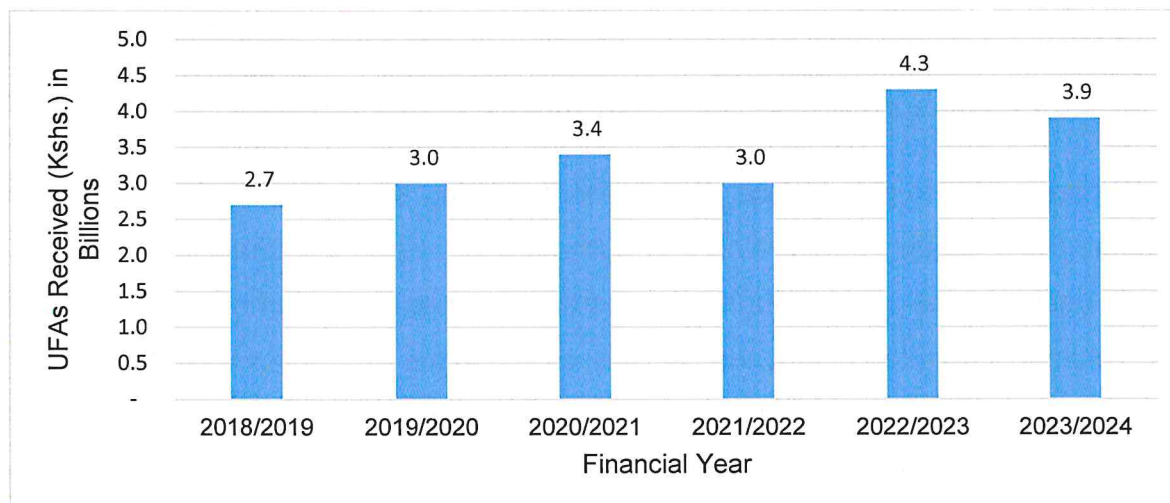
⁷ Authority's Strategic Plan, 2018-2023

Table 5: Number of Holders that Voluntarily Remitted Unclaimed Financial Assets

Financial Year	Number of Holders
2018/2019	93
2019/2020	253
2020/2021	291
2021/2022	387
2022/2023	565
2023/2024	644

Source: OAG Review of the Authority's Documents

- 4.5 Due to the low level of compliance and non-compliance of holders to the requirement over the years, in the financial year 2022/2023, the Authority incentivized holders by offering a waiver of penalties. This was aimed at encouraging voluntary disclosure of unclaimed financial assets to the Authority. As a result, the Authority's receipt of unclaimed financial assets increased by Kshs.1.3 billion, from Kshs.3 billion in the financial year 2021/2022 to Kshs.4.3 billion in the financial year 2022/2023, as illustrated in **Figure 3**.

Figure 3: Trust Fund Receipts Across Time

Source: OAG Review of Trust Fund Receipts

- 4.6 The low level of voluntary compliance was attributed to low level of awareness among the potential holders of their obligation to reunify unclaimed financial assets at source, and subsequent voluntary remittance of assets to the Authority.⁸ Review of the Authority's sensitization reports on the activities held revealed that between the

⁸ Interviews with sampled holders.

financial years 2018/2019 to 2023/2024, the Authority had conducted at least three (3) stakeholder's sensitization forums per year, across the Country, as shown in **Table 6**.

Table 6: The Authority's Sensitization and Holders Outreach Initiatives

Financial Year	Sensitization and Holders Outreach Initiatives
2018/2019	8
2019/2020	4
2020/2021	4
2021/2022	11
2022/2023	4
2023/2024	3
Total	34

Source: OAG Review of the Authority's Reports on Sensitization

- 4.7 Even though the Authority had planned to have stakeholder engagements, they had not indicated the number of engagements that would be conducted each year. Despite the thirty-four (34) sensitization and outreach initiatives, interviews with twenty-nine (29) sampled holders revealed that seventeen (17) holders, representing 59% of the sampled holders, had not participated in the Authority's sensitization campaigns.
- 4.8 As a result, holders lacked clear information on the categories of assets qualifying as unclaimed financial assets and the statutory timelines for remittance. This led to non-compliance and ultimately hindered the Authority's ability to achieve the unclaimed financial assets remittance targets.

b) Failure to Recover Unclaimed Financial Assets Identified During Compliance Audits

- 4.9 The Authority conducted compliance audits to ascertain the completeness and accuracy of holder unclaimed financial assets remittance reports. Subsequently, holders were required to remit unclaimed financial assets identified during the compliance audits and to pay the associated penalties and audit fees within fourteen (14) days of receiving a demand notice from the Authority. As at the time of audit in August 2024, the Authority had three (3) Compliance Auditors, against a staff establishment of twelve (12) staff. Due to the inadequate Compliance Auditors within the Authority, compliance auditors were outsourced to ascertain the completeness and accuracy of holders' reports when remitting unclaimed financial assets to the Authority.
- 4.10 As at August 2024, the Authority, through the outsourced Compliance Auditors, had carried out 134 compliance audits in five (5) phases. The compliance audits identified

Kshs.12.2 billion unremitted unclaimed financial assets from holders, as shown in **Table 7**.

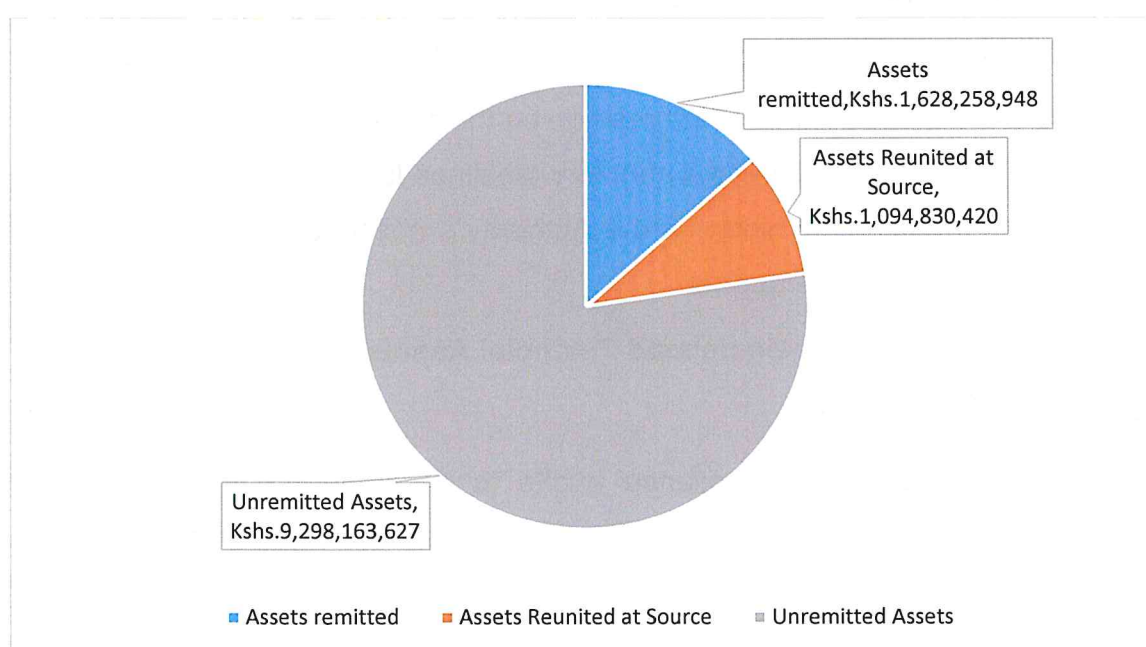
Table 7: Summary of Identified Unclaimed Financial Assets in the Compliance Audits

Audit Phases	Number of Holders Audited	Identified Unremitted UFAs (Kshs.)
Phase 1	9	2,477,622,311
Phase 2	30	4,203,984,474
Phase 3	43	3,154,870,332
Phase 4	23	1,240,568,291
Phase 5	29	1,150,801,469
Total	134	12,227,846,877

Source: OAG Analysis of the Authority's Compliance Audit Reports

4.11 As at the time of audit in August 2024, 9% of the identified unclaimed financial assets were reunited at source, 14% were remitted to the Authority, while 77% were still unremitted, as shown in **Figure 4**.

Figure 4: Status of Unclaimed Financial Assets based on Compliance Audits



Source: OAG Analysis of Compliance Audit Reports

4.12 According to the Authority's response to this finding, as at March 2025, the Authority had identified an additional Kshs.1,205,060,301 in unclaimed financial assets, bringing the total to Kshs.13,432,907,178. Of this amount, 8.4% was reunited at source, 13.9% was remitted to the Authority, while 75.6% remained unremitted.

- 4.13 The Authority's inability to recover 75.6% of the unremitted unclaimed financial assets was attributed to failure to close compliance audits. Review of the contracts between the Authority and the outsourced compliance auditors revealed that there was no clause detailing how unresolved issues relating to closure of the audits would be dealt with. As per the contract, the responsibility of the outsourced compliance auditors ended after submission of the final audit report, hence, it was not clear who was responsible for resolving any emerging disputes.
- 4.14 Closing audits entailed holder's either surrendering the identified unclaimed assets to the Authority or providing sufficient evidence to confirm that the assets did not qualify as unclaimed or they were able to reunify the assets with the rightful owners at source. Out of the 134 compliance audits conducted, the Authority had closed forty (40) audits, and ninety-four (94) remained open. The three (3) Compliance Auditors, therefore had the responsibility to resolve all the disputes and close all the audits.
- 4.15 Additionally, the audit established that failure to close compliance audits was due to imposition of heavy penalties on holders for the assets identified during compliance audits, thereby discouraging holders from remitting assets to the Authority. The audit revealed that fifteen (15) out of the twenty (20) sampled compliance audit reports had penalties amounting to more than 50% of the value of the identified assets. The penalties amounted to Kshs.2.2 billion, against identified assets of Kshs.5.1 billion, as shown in **Table 8**.

Table 8: Penalties Imposed on Unremitted Unclaimed Financial Assets

	Name of Holder	Unclaimed Financial Assets (Kshs.)	Penalties Imposed (Kshs.)	Penalties as a Percentage of Unclaimed Financial Assets
1	Carbacid Investments	1,075,882	30,876,594	2870%
2	Moi University Retirements and Benefits Scheme	29,788,759	111,609,152	375%
3	Maseno University	40,655,081	74,556,809	183%
4	Pacis Insurance Company Ltd	6,232,034	10,143,026	163%
5	Egerton University	30,289,654	39,104,062	129%
6	Egerton University Pension Scheme	12,048,522	15,350,580	127%
7	Moi University	171,406,660	211,376,187	123%
8	Airtel Kenya	28,070,855	27,200,530	97%
9	Total Kenya Ltd	27,969,942	26,712,095	96%
10	Kenyatta University	20,795,242	19,784,031	95%
11	Equity Bank Ltd	286,511,724	249,728,593	87%
12	United States International University (USIU)	50,100,371	34,975,064	70%
13	CIC Group PLC	1,458,143,538	999,604,283	69%
14	WPP Scan Group	93,079,528	62,169,503	67%
15	Pioneer Assurance Company Ltd	246,529,341	131,103,610	53%
16	Unaitas SACCO	119,841,836	58,039,443	48%
17	UNGA Group	61,336,034	29,402,865	48%
18	Mwalimu National SACCO	38,259,312	16,615,132	43%
19	Geminia Insurance	48,875,624	16,786,826	34%
20	University of Nairobi	2,318,241,273	66,850,000	3% ⁹
	Total	5,089,251,212	2,231,988,385	

Source: OAG Review of Holders Compliance Audit Reports

4.16 Recovery of audit fees from holders could only be done after the closure of the audits and identification of assets. Failure to close the compliance audits therefore, resulted in the Authority incurring an obligation to the outsourced compliance auditors. Further, the amount of audit fees recoverable from holders was limited to the lower of either the assets identified in the audits or the audit fees paid to the compliance auditors.

⁹ The Report on the Provision of Assurance Services on Unclaimed Financial Assets Reported/Held by the University of Nairobi did not include a penalty of the required twenty-five percent (25%) of the value of the assets that should have been paid by the University.

This implied that the Authority may not necessarily recover from holders the full amount paid to the Compliance Auditors, in instances where the value of the identified assets is lower than the audit fees charged.

- 4.17 The Authority conducted audits on holders in five (5) phases, costing a total of Kshs.416.3 million in audit fees. However, the amount recoverable from the audited holders was Kshs.318.8 million. As at the time of audit in August 2024, the Authority had recovered Kshs.94.5 million, representing 29.6% of the total recoverable audit fees. This is illustrated in **Table 9**.

Table 9: Amount of Audit Fees Charged Compared with Amount Remitted to the Authority

Audit Phase	Audit Fees Charged (Kshs.)	Audit Fees Recoverable based on Identified Assets (Kshs.)	Audit Fees Remitted (Kshs.)	Percentage Remitted
Phase 1	32,258,159	16,303,457	12,643,890	77.6%
Phase 2	87,562,569	83,455,281	13,140,087	15.7%
Phase 3	145,044,821	112,170,628	29,323,175	26.1%
Phase 4	78,182,129	50,482,632	19,293,002	38.2%
Phase 5	73,346,926	56,486,420	20,080,878	35.5%
Total	416,394,604	318,898,419	94,481,032	29.6%

Source: OAG Review of the Authority's Data on Compliance Audits

c) Non-Compliance by Public Institutions

- 4.18 Based on the Authority's Baseline Survey, 2018, there was an estimated 12,460 public institutions potentially holding unclaimed financial assets, as indicated in **Table 10**.

Table 10: Number of Potential Holders of Unclaimed Financial Assets in the Public Sector

Name of Public Institution	Number of Potential Holders
Ministries	21
State Departments under Ministries	147
Counties	47
Parastatals	147
Learning Institutions	11,518
Water Companies	98
Electricity Companies	3
National and County Hospitals	479
Total	12,460

Source: OAG Review of the Authority's Baseline Survey, 2018

- 4.19 The audit revealed that none of the public sector institutions had submitted unclaimed financial assets to the Authority. This was attributed to use of cash-basis of accounting, which only recorded actual cash transactions, thus the entities did not account for unclaimed financial assets held. In addition, the unclaimed financial assets were reported generally as payables, without any specific disclosure, resulting in lack of reporting to the Authority.
- 4.20 Review of data from sampled law courts, learning institutions, and water companies confirmed that none of the institutions had submitted unclaimed financial assets to the Authority. The Authority's Regulations of 2016 define classes of assets held by the law courts, learning institutions, and utility companies, which include water companies, as detailed in **Table 11**.

Table 11: Qualifying Unclaimed Financial Assets in the Sampled Public Institutions

Institution	Qualifying Unclaimed Financial Assets	Unclaimed Financial Asset Qualifying Conditions
Law Courts	- Cash bail - Excess fine payments and - Other court deposits	- Case closed and order for refund of cash bail issued by the judicial officer - Unclaimed for a period exceeding one (1) year
Learning Institutions	Refunds due; caution money and overpaid fees	- Student cleared with a learning institution and graduated - Unclaimed for a period exceeding two (2) years
Water Companies	Utility deposits; water deposits ¹⁰	Unclaimed deposits by owners for a period exceeding two (2) years after termination of services

Source: OAG Review of the Unclaimed Financial Assets Regulations, 2016

- 4.21 The audit of sampled law courts, public universities, and water companies revealed the following: -

i. Non-Compliance by Law Courts

- 4.22 The audit established that law courts were not proactively reunifying unclaimed cash bails at source nor remitting them to the Authority. Until 2020, law courts operated a manual system that recorded only the name of the cash bail depositor, without other

¹⁰ Utility deposit is a sum of money paid to a water company by a customer for provision of water services. The deposit acts as a security for the water companies, in case of default of payment.

contact details, making it difficult for law courts to reach out to the depositor for reunification at source.

4.23 Additionally, the Accounts Office in the law courts relied on the Registry Department for information on cases closed by judicial officers, including orders for refunds. However, the lack of synchronization between the two (2) systems hindered courts from identifying and isolating unclaimed cash bails for remittance to the Authority.

4.24 An analysis of reports from a sample of law courts for the period ending December 2023 indicated that the courts potentially held unclaimed financial assets amounting to Kshs.186 million, as illustrated in **Table 12**.

Table 12: Potential Unclaimed Financial Assets Held by Law Courts

	Law Court	Potential Unclaimed Cash Bails (Kshs.)
1	Baricho	1,682,220
2	Embu	19,152,904
3	Garissa	13,969,964
4	Gichugu	3,433,542
5	Kandara	10,079,369
6	Kerugoya	15,618,236
7	Kigumo	3,229,835
8	Machakos	54,200,052
9	Muranga	3,184,440
10	Narok	8,110,040
11	Nyeri	41,589,699
12	Runyenjes	537,500
13	Siakago	3,812,040
14	Wanguru	8,219,250
	Total	186,819,089

Source: OAG Analysis of Law Courts Quarterly Reports

4.25 The retrospective application of the Unclaimed Financial Assets Act, 2011, which requires holders to remit unclaimed assets from their year of incorporation, resulted in inaccuracy of the identified unclaimed cash bails. In conformity with the Records Disposal Act, 2012, some records older than three (3) years from the date of judgement or final order were destroyed. Interviews with court stations staff revealed that this destruction of records affected the accuracy of reports on unclaimed financial assets due for remittance to the Authority.

4.26 To address the non-remittance of unclaimed cash bails, the Authority is working in collaboration with the Judiciary to ensure that all such assets held by the Judiciary are properly identified and remitted to the Authority.

ii. Non-Compliance by Learning Institutions

4.27 Learning institutions are expected to remit caution money and overpaid fees that remain unclaimed for a period exceeding two (2) years after successful completion of studies, graduation, and clearance. Interviews with eight (8) sampled institutions revealed that they held unclaimed financial assets in the form of caution money and overpaid fees. Further, five (5) out of the eight (8) sampled Universities revealed that they did not locate and notify students whose refunds were due.

4.28 The audit also revealed that the sampled learning institutions did not proactively reunify unclaimed financial assets at source, and that some institutions had financial constraints and ended up utilizing refundable deposits for their operational activities.¹¹ This resulted in the accumulation of refundable deposits that had not been remitted to the Authority.

4.29 Review of compliance audit reports revealed that public universities held unclaimed financial assets worth Kshs.2.6 billion, that were due for remittance to the Authority, as shown in **Table 13**. Due to non-compliance of the learning institutions, it was established that penalties imposed in three (3) out of five (5) of the institutions were more than the principal amount of unclaimed financial assets identified. The hefty penalties imposed on the institutions resulted to non-closure of the assets, that is, holder's not surrendering the identified unclaimed assets to the Authority or failure to provide evidence of the assets not qualifying as unclaimed. This occasioned the non-recovery of the identified assets.

¹¹ Interviews with the management of the sampled universities

Table 13: Unclaimed Financial Assets Identified and Penalties Imposed to Universities

Entity	Identified Financial Assets (Kshs.)	Unclaimed Assets	Penalties Imposed (Kshs.)	Penalties Imposed as a Percentage of Unclaimed Financial Assets Identified
University of Nairobi	2,318,241,273		66,850,000	2.9%
Maseno University	40,655,081		74,556,809	183.4%
Egerton University	30,289,654		39,104,062	129.1%
Moi University	171,406,660		211,376,187	123.3%
Kenyatta University	20,795,242		19,784,031	95.1%
Total	2,581,387,910		411,671,089	15.9%

Source: OAG Review of the Authority's Compliance Audit Reports

iii. Non-Compliance by Water Companies

- 4.30 Interviews with water companies revealed that they held utility deposits for water services, which qualified as unclaimed financial assets for a period exceeding two (2) years after closure of an account by a customer. Review of the list of holders reporting to the Authority revealed that no water company had remitted unclaimed financial assets. The officials of the water companies indicated that there was lack of clarity on how an account would be classified as unclaimed.
- 4.31 Non-compliance by law courts, learning institutions and water companies resulted in non-remittance of unclaimed financial assets, thereby adversely affecting the Authority's mandate of receiving unclaimed financial assets for safeguarding and subsequent reunification with the rightful owners.

2. Low Rate of Reunifying Unclaimed Financial Assets

- 4.32 One of the mandates of the Authority is to reunite unclaimed financial assets with their rightful owners. Review of the Authority's Strategic Plan, 2018-2023, revealed that it had set a reunification target of 5%. This target was considered low to enable the Authority achieve its mandate, as it implied that the Authority did not put in place plans on how to reunify 95% of the assets held in the Trust Fund.
- 4.33 As at 30 June, 2024, the Authority had received a total of Kshs.60 billion from holders, which consisted of Kshs.29.6 billion cash assets and Kshs.30.4 billion non-cash assets. Despite the low target, as at the time of audit in August 2024, the Authority

had reunified an average of 4.0% of the unclaimed financial assets, as illustrated in **Table 14**.

Table 14: Rate of Reunification of Unclaimed Financial Assets

Asset	Unclaimed Financial Assets Received	Unclaimed Financial Assets Reunified	Percentage of UFAs Reunified over UFAs Received
Cash (Kshs). (Billion))	29.6	2.1	7.1%
Shares (Units) (Billion)	1.2	0.44	3.4%
Safe Deposit Boxes (Units)	3,658	55	1.5%
Average Reunification Rate			4.0%

Source: OAG Review of the Authority's Documents

4.34 The low rate of reunification was attributed to the following reasons: -

a) Insufficient Contact Information Deterring Efforts to Locate Apparent Owners

4.35 Section 35 of the Act, requires the Authority to make reasonable efforts to locate the owners of the unclaimed financial assets received. The Authority required holders to remit contact details of apparent owners to the Authority through Form 2, shown in [Appendix IV](#). The Form required the name of the original owner, the postal and physical addresses.

4.36 Interviews with sampled holders revealed that holders had more contact details of apparent owners, such as email addresses, phone numbers, and their alternates, KRA PIN, and details of next of kin that were not captured in the reporting form. This was also the case for other reporting forms for shares and safe deposit boxes. In addition to the limited information collected by the Authority from holders using Form 2, it was noted that column E of the Form provided room for too many entries. This posed a challenge for the Authority to exactly identify if the entry made by the holder was either the apparent owner's ID number, NHIF, Lap Trust Number, or NSSF Number.

4.37 The Forms used by holders in remittance of unclaimed financial assets to the Authority were derived from the Unclaimed Financial Assets Regulations, 2016, thereby inhibiting the Authority from customizing the Forms without prior amendment of the

Regulations. Consequently, the limited details of apparent owners collected by the Authority deterred its ability to locate and notify owners of unclaimed financial assets in its custody.¹² This slowed down the identification and notification of apparent owners.

- 4.38 Additionally, the audit revealed that some of the records submitted by holders in the reporting forms were incomplete, as they did not have the names of apparent owners. **Table 15**¹³, shows incomplete records filled under the name column for unclaimed financial assets totalling to Kshs.307 million. This hindered the ability of the Authority to accurately identify and notify the rightful owners of their unclaimed financial assets.

Table 15: Data on Incomplete Records

Details Filled Under the Name Column	Amount (Kshs.)
Not Known	13,910,042
No Name	93,457,202
Null	551,987
Empty	197,993,341
NA	1,975,371
Total	307,887,943

Source: OAG Review of the Authority's Data of Incomplete Records

- 4.39 The missing records were attributed to challenges encountered by holders in obtaining details of the apparent owners due to changes in the operating systems of holders, leading to loss of data. Further, changes in ownership or management of the institutions, including mergers and acquisitions, hindered the provision of accurate historical data. Additionally, inconsistencies between the Unclaimed Financial Assets (UFA), Act, 2011, and the Companies Act, 2015 presented complexities in determining the appropriate retention period for records, particularly regarding the retrospective aspect of the UFA Act, 2011. As a result, there is a high likelihood that the Kshs.307 million will not be reunified with the rightful owners.

¹² Interviews with the Authority's management and documentary review of Unclaimed Financial Assets Records.

¹³ Document review of summary of incomplete records and interviews with senior management.

b) Limitations in the Mechanisms Used to Locate and Notify Apparent Owners

- 4.40 Due to the insufficient contact information collected by the Authority through the reporting forms, the Authority's mechanisms for reunification included; Rapid Result Initiative (RRI), physical visits, reunification clinics and publishing details of apparent owners with unclaimed financial assets above Kshs.1 million in local dailies.
- 4.41 Between October and November 2019, the Authority partnered with the Ministry of Interior and Coordination of National Government to launch a Rapid Results Initiative (RRI) campaign. The campaign was aimed at increasing the reunification of unclaimed financial assets with apparent owners. Through this initiative, the National Government Administration Officers (NGAOs) in Nairobi, Nyeri, Kakamega, Kisumu, Eldoret, Nakuru, Machakos, Meru, Garissa, and Mombasa Counties were trained to identify and notify potential claimants using segregated data of apparent owners, as availed by the National Registration Bureau. However, the initiative faced logistical challenges due to the expansive county areas, which limited outreach by the NGAOs. Additionally, there was mismatch of data between the Authority and the National Registration Bureau, since the records lacked unique identifiers, making it difficult to differentiate between individuals, thereby hindering identification.
- 4.42 The Authority further conducted physical visits in Mombasa and Kisumu Counties between June and September 2023 and was able to physically locate 39% and 52% of claimants in Mombasa and Kisumu Counties, respectively. 25% and 7% of the targeted business entities were untraceable in Mombasa and Kisumu Counties, respectively, as shown in **Table 16**.

Table 16: Details of Physical Visits Reunification Exercises

Details		Mombasa	Percentage	Kisumu	Percentage
	Total number of entities targeted	114	100%	123	100%
1	Number of entities that claimed their financial assets	45	39%	64	52%
2	Number of entities that require follow up	41	36%	50	41%
3	Number of entities untraced	28	25%	9	7%

Source: OAG Review of the Authority's Physical Visits Reunification Reports

- 4.43 The failure to meet the set target was attributed to low public awareness of the Authority's mandate and responsibility. Further, the physical visits could only be conducted to business entities whose physical locations were easily identifiable through postal addresses or Google Maps.
- 4.44 Additionally, in February 2024, the Authority published names of apparent owners and beneficiaries, notifying them that the Authority was in receipt of their unclaimed financial assets from various holders. The publication was to encourage the apparent owners to lodge their claims using the prescribed forms. However, this approach posed notable risks, such as privacy concerns that limited the Authority from subsequently publishing the details of apparent owners.
- 4.45 The other mechanism the Authority used to reach out to a broader category of apparent owners was reunification clinics. The clinics were held in accessible locations, such as county stadiums, where the public was invited to search for their assets in the Authority's database. Upon identification of unclaimed financial assets, apparent owners could then commence the claim process.
- 4.46 The reunification clinics were meant to reach more apparent owners than those visiting the Authority's office. Analysis of the reunification clinics' reports revealed that the Authority reached about five (5) times more apparent owners in three (3) days than the numbers that visited the Authority's Office per quarter at a given location. However, due to the cost implications, reunification clinics were only conducted quarterly. This limited the Authority's ability to conduct more than four (4) clinics per year, thereby reducing the overall outreach to apparent owners. This is as shown in **Table 17**.

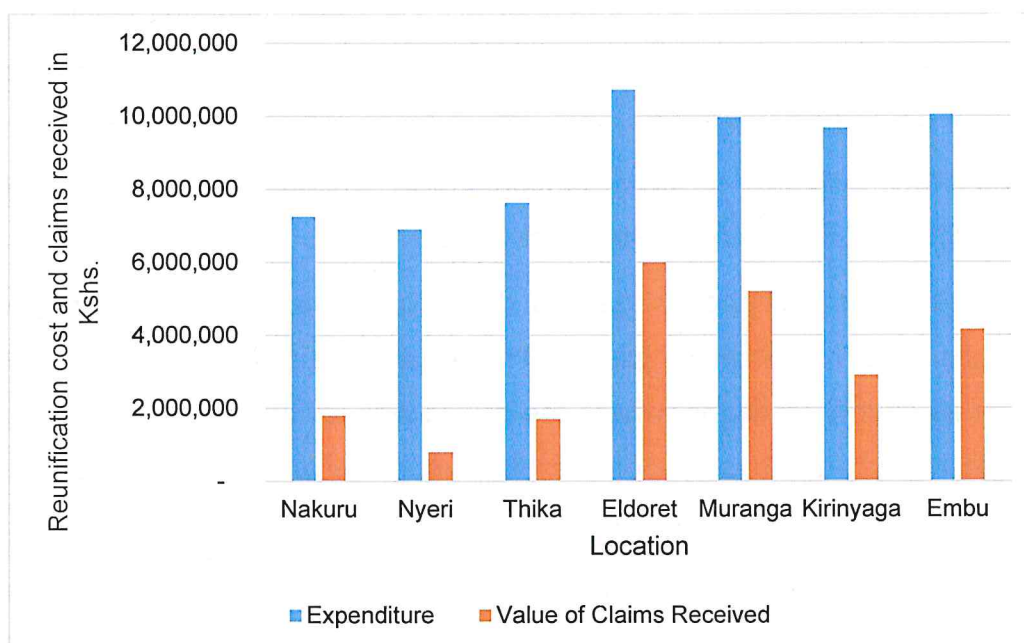
Table 17: Members of the Public in Reunification Clinics versus the Authority's Office

	Location of Reunification Clinics	Number of Members of Public in Reunification Clinics (3 days)	Number of Members of the Public in the Authority's Office (per quarter)
1.	Muranga	2,062	629
2.	Kerugoya	2,000	
3.	Eldoret	1,060	
4.	Nakuru	2,790	725
5.	Embu	2,306	324
6.	Nyeri	1,684	781
7.	Thika	1,481	
	Total	13,383	2,459

Source: OAG Review of the Authority's Reports

4.47 Although the reunification clinics had wider outreach targeting both individual and business entities, the audit revealed that majority of the claimants held low value claims, leading to higher costs being incurred during the clinics, compared to the value of claims received. This is as shown in **Figure 5**.

Figure 5: Reunification Clinics Cost Analysis



Source: OAG Analysis of the Authority's Data on Reunification

4.48 The mechanisms used by the Authority to locate and notify apparent owners had limitations, hindering its efforts to reunify unclaimed financial assets with the rightful owners. Consequently, this resulted to low rate of reunification.

c) Inability of Holders to Reunify Unclaimed Financial Assets at Source

4.49 Section 19 of the Act requires holders of unclaimed financial assets to make all reasonable efforts to locate and notify asset owners of the existence of the assets.¹⁴ It is only after the holders are unable to reunify the assets at source that they remit them to the Authority for safeguarding, and to possibly make further efforts to reunify the assets.

4.50 The audit established that holders of unclaimed financial assets were unable to locate, notify, and reunify apparent owners with their assets at source, as some contact details like phone numbers and email addresses were initially not recorded on account

¹⁴ Section 19 of UFA Act, 2011.

opening or during the first contact. The challenge was encountered in records of apparent owners captured before the UFA Act, 2011 came into force; the Act required reunification of unclaimed financial assets since incorporation of the entities. Further, the audit revealed that holders had outdated records of apparent owners, which resulted from failure of apparent owners to update their contact details such as phone number, email address, physical address and next of kin.

- 4.51 The inability of holders to reunify assets at source due to outdated contact details and details that were not initially captured increased the unclaimed financial assets surrendered by holders to the Authority, further posing a challenge of reunification by the Authority.

d) Low Number of Claims Lodged and Delays in the Verification Process

- 4.52 The claim process begins when claimants submit a fully supported claim to the Authority for subsequent processing. Claims processing involves validating the legitimacy and authenticity of claims before the approved amounts are disbursed to the rightful owners. The audit revealed gaps in the lodging of claims and verification process, as discussed below: -

i. Low Number of Claims Lodged

- 4.53 The audit established that since the Authority began executing its mandate of reunifying unclaimed financial assets with their rightful owners in 2014, the proportion of claims lodged has remained low, compared to the number of records submitted by holders. Further, the audit revealed that even though there were claimants who lodged claims with multiple records of assets, the number of claims lodged for the financial years 2018/2019 to 2023/2024 was still relatively low, as 42,031 claims were lodged out of 18 million records of assets received. The low number of claims lodged was attributed to a non-differentiated claim process for high and low value clients, as well as a low level of awareness among apparent owners, as discussed below: -

Uniform Claim Process for High and Low Value Claimants

- 4.54 The audit established that the Unclaimed Financial Assets Act, 2011, and the Unclaimed Financial Assets Regulations, 2016, provided for a uniform claim process

for all claimants, regardless of the value of their unclaimed financial assets¹⁵. All claimants were required to obtain the following mandatory documents:

- i. Completed claim forms and indemnity agreements, duly commissioned, along with certified copies of the National Identification Card or Passport and the KRA PIN certificate. Further, the commissioning of the forms and certification of identification documents had to be done by an advocate, at an average cost of Kshs.500; and
- ii. An official letter from the holder confirming the remittance of assets to the Authority. Claimants were required to physically visit the holder to obtain this letter, increasing the time and cost involved in lodging claims.

4.55 In December 2022, the Authority proposed amendments to Section 11 (1) of the Unclaimed Financial Assets Regulations, 2016, aimed at simplifying the claims process. The proposal recommended the use of a single standardized form, issued by the Authority, to be signed by the claimant or an authorized representative and witnessed by any adult, without the need for a judicial officer or legal practitioner. Only a copy of the claimant's national ID or passport would be required, with no need for certification. In addition, the successful claimants would no longer be required to sign an indemnity agreement. The proposal also recommended the removal of all schedules that previously mandated the completion and certification of multiple forms, thereby facilitating automation and a more efficient process. However, no action had been taken by The National Treasury to approve or implement the proposed amendments.

4.56 Review of holders' records revealed that out of 20 million records received by the Authority from holders since inception of the Authority in 2014, 16 million records, representing 81.64%, were for assets below Kshs.500, as shown in **Table 18** and **Figure 6**.

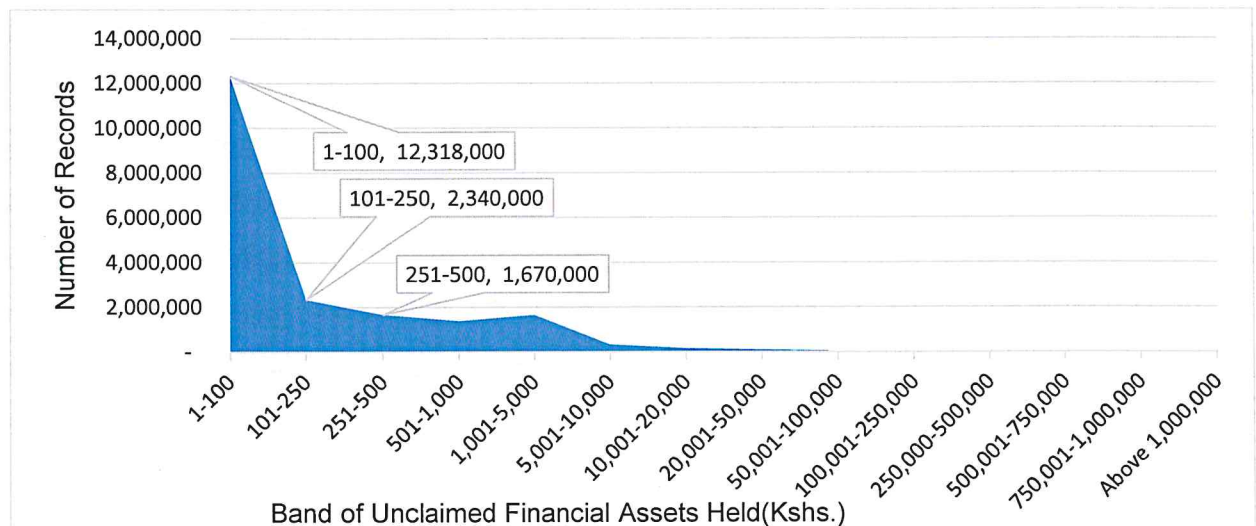
¹⁵ Section 28 of the Unclaimed Financial Assets Act, 2011, read with Regulation 11 of the Unclaimed Financial Assets Regulations, 2016

Table 18: Analysis of Records Received from Holders

Band in Kshs.	% Number of Records	Number of Records	Cumulative Number of Records
1-100	61.59%	12,318,000	61.59%
101-250	11.70%	2,340,000	73.29%
251-500	8.35%	1,670,000	81.64%
501-1,000	6.91%	1,382,000	88.55%
1,001-5,000	8.30%	1,660,000	96.85%
5,001-10,000	1.63%	326,000	98.48%
10,001-20,000	0.80%	160,000	99.28%
20,001-50,000	0.45%	90,000	99.73%
50,001-100,000	0.15%	30,000	99.88%
100,001-250,000	0.08%	16,000	99.96%
250,000-500,000	0.03%	6,000	99.99%
500,001-750,000	0.01%	2,000	100.00%
750,001-1,000,000	0.00%	0	100.00%
Above 1,000,000	0.00%	0	100.00%
Total	100%	20,000,000	100.00%

Source: OAG Review of Authority's Records Received from Holders

Figure 6: Analysis of Records Received from Holders



Source: OAG Review of Authority's Records Received from Holders

4.57 Due to the non-differentiated nature of the claim process, apparent owners of unclaimed financial assets that were relatively low in value incurred the same cost as

high value claimants. Consequently, fewer claims were lodged, leading to a low reunification rate.

Low level of Awareness Among Apparent Owners

- 4.58 In its Strategic Plan, 2018-2023, the Authority planned to educate and create focused and structured awareness campaigns to its stakeholders, who included apparent owners. This was to be done through stakeholder engagements, brand campaigns, media interviews, public events and announcements, advertisements and advertorials, social media content development and grassroot presence, among others.
- 4.59 Interviews with nine (9) sampled apparent owners revealed that they were not aware of the available mechanisms for searching and confirming if they had any unclaimed financial assets with the Authority. None of the sampled apparent owners whose claims had been paid had prior knowledge of their unclaimed financial assets until they were directly notified by the Authority or through affiliated intermediaries, such as the County Cooperative Commissioner. Additionally, interviews with the sampled Public Trustee Officers in various counties, who facilitated claims for beneficiaries of deceased apparent owners, revealed that they were not aware that claims could be lodged through the Authority's online portal. The Public Trustee Officers lodged claims via email, postal service, or by sending beneficiaries with completed claim forms to the Authority's Office.
- 4.60 The inadequate level of awareness was attributed to the lack of decentralization of the Authority's operations. To expand regional access to its services, in 2022, the Authority partnered with four (4) Huduma Centres in Nairobi County to facilitate receipt of assets from holders, reunification of assets to the rightful owners, and provision of informational services to the public. However, as of August 2024, the Authority had not extended the partnership to the other Huduma Centres across the Country. The audit established that the Authority intended to deploy their staff in the Huduma Centres, although they were yet to recruit the required staff. This contributed to the low number of claims lodged and ultimately the low reunification rate.

ii. Delays in the Verification and Payment of Claims

- 4.61 The verification process by the Authority ensures that legitimate claims are processed and unclaimed financial assets reunited with the rightful owners. According to its

Strategic Plan, 2018-2023, the Authority undertook to reunify 100% of valid claims annually. Additionally, the Authority planned to have thirty (30) days turnaround time for primary claims¹⁶ and ninety (90) days for secondary claims¹⁷. A review of the Authority's 2022-2023 Claim Register revealed that there were delays in the processing of both primary and secondary claims.

- 4.62 The audit established that 50% of primary claims and 35% of secondary claims were processed within the stipulated timelines. The processing duration is as indicated in **Table 19**.

Table 19: Delay in Reunification of Claims

Primary Claims		
Duration (Days)	Number of Claims	Percentage
0-30	3,798	50%
Above 30 days	3,800	50%
Total	7,598	100%
Secondary Claims		
Duration (Days)	Number of Claims	Percentage
0-90	872	35%
Above 90	1,655	65%
Total	2,527	100%

Source: OAG Analysis of the Authority's Claim Register (2022-2024)

The delays in the verification and payment of claims were attributed to the following: -

Bottlenecks in the External Verification Process

- 4.63 The Unclaimed Financial Assets Regulations, 2016 requires that where a claimant is a beneficiary of a deceased owner, the Authority must publish a 30-day notice of no objection in the Kenya Gazette, in at least two (2) newspapers of wide circulation, and on the Authority's website. This Public Notice serves to inform the public of the beneficiaries and provides an opportunity for objections or requests for inclusion as beneficiaries. If no objections are received within the notice period, the payment is made to the claimants.
- 4.64 The audit revealed that both the Public Trustee and the Judiciary published a 30-day notice of no objection in the Kenya Gazette before granting letters of administration. This resulted in duplication of the gazette process, given that both gazette notices

¹⁶ This is a claim made by an original owner

¹⁷ This is a claim made by an agent on behalf of an original owner or a beneficiary claim.

serve the same purpose. Ultimately, the claim process for beneficiary claims often extended beyond the targeted 90-day timeframe.

- 4.65 Additionally, in cases where claimants sought insurance policy pay-outs but had lost the original policy document, the Authority was required to gazette the claim for a 30-day notice period. This further extended the overall claim processing time.

Inadequate Staffing Levels

- 4.66 The claim verification process involved a thorough check of supporting documents to ensure the authenticity and validity of the claims. This included confirmation of funds received under a claimant, verification of the supporting documents and confirmation that a claimant had not been previously paid. Further, beneficiary claims required verification of death certificates, letters of administration and/or certificate of grants, before claim processing. Adequate staffing was therefore, essential to manage the verification process effectively.
- 4.67 The audit established that the Authority had thirty-two (32) staff, against the approved staff establishment of 112. The inability of the Authority to fill all the vacancies was attributed to the slow progress of aligning human resource instruments, in line with the provisions of the State Corporations Advisory Committee and later the Public Service Commission. The human resource instruments included the organizational structure, career guidelines, staff grading and establishment, and human resource policy and procedures manual. File review of correspondences between the Authority, Public Service Commission, State Corporations Advisory Committee, and The National Treasury revealed that it took the Authority an estimated seven (7) years to align its human resource instruments, as shown in **Table 20**.

Table 20: Chronology of Events Towards Alignment of Human Resource Instruments

Date	Progress in the Alignment of Human Resource Instruments
July 2017	Directive by the State Corporations Advisory Committee (SCAC) requiring all state corporations to align their human resource instruments in line with the Public Service Commission requirements.
July 2018	The Authority requested SCAC to assist in aligning human resource instruments with the Public Service Commission guidelines on human resource.
February 2019	The Authority forwarded the aligned human resource instruments to SCAC, through The National Treasury, with a request to increase the staff establishment from 39 to 130.
April 2020	The National Treasury advised the Authority to rationalize the staff establishment from the proposed 130 to 85 staff.
April 2021	The National Treasury further advised the Authority to further rationalize the staff establishment to a maximum of 60.
August 2021	The Authority resubmitted the rationalized staff establishment to The National Treasury.
August 2022	SCAC approved the rationalized staff establishment of 60 staff.
October 2022	The Authority requested the Public Service Commission (PSC) to provide a technical team to assist in the implementation of the SCAC approved human resource instruments.
November 2022	PSC directed the Authority to put on hold implementation of the SCAC approved structure, awaiting PSC approval of the human resource instruments.
April 2023	The Unclaimed Financial Assets Authority Board approved the human resource instruments with a proposed staff establishment of 112.
September 2023	PSC approved the human resource instruments with a staff establishment of 112.
February 2024	The Authority requested the Salaries and Remuneration Commission for a review of the salaries structure, to match and accommodate all the grades in the new organizational structure.
October 2024	SRC acknowledged receipt or request to review the salaries structure, noting that the Commission was in transition, after expiry of the term of majority of the commissioners.

Source: OAG Review of Human Resource Correspondences

4.68 Consequently, the lengthy process of aligning and approval of the human resource instruments meant that the Authority could not hire or replace any staff. Hence, the Authority remained with an in-post technical staff of twelve (12), against the proposed

seventy-three (73) staff. The shortfall in the technical staff negatively affected the processing of claims, reducing the efficiency of the reunification of claims.

4.69 Additionally, the slow progress of aligning the human resource instruments negatively affected the Authority's staff affairs in the following ways: -

- i. **Stagnation of staff in one job group:** As at August 2024, all the staff employed at the incorporation of the Authority in 2015 had not been promoted from the designation of their first appointment.
- ii. **Staff in acting capacities not confirmed:** The audit established that the unclaimed financial assets line manager had served in an acting capacity since March 2019. This was beyond the recommended maximum period of six (6) months that one can serve in an acting capacity, as per Section 34 (3) of the Public Service Commission Act, 2017.
- iii. **Non- replacement of staff who had exited the organization:** In August 2018, the Authority requested The National Treasury for recruitment of a senior investment officer and an auditor-claims, following the resignation of the then job holders. However, this had not been granted as at August 2024, pending approval of the human resource instruments.
- iv. **Non-recruitment of technical staff:** In July 2017, the Authority requested The National Treasury for the recruitment of an Information System Auditor, who could support the Authority to enhance the processes that utilize Information Communication Technology in the Authority; the request was not granted. Additionally, the request to recruit ten (10) staff to support the core mandate of reunification and compliance, and the internal audit function had not been granted as at August 2024.

3. Safeguarding of Unclaimed Financial Assets

a) The Authority Invested Trust Fund Receipts to Safeguard Unclaimed Financial Assets

4.70 Section 44(2)(a) of the Unclaimed Financial Assets Act of 2011 requires holders of unclaimed cash assets to deposit the assets into the Trust Fund Account at the Central Bank of Kenya. The Trust Fund is responsible for safeguarding unclaimed financial assets. Regulation 15 of the Unclaimed Financial Assets Regulations, 2016 stipulates that those investments should be drawn from monies in the Fund that are not

immediately needed for the Fund's purposes. The Authority invests these assets in government securities and uses a portion of the income to fund its operations, both subject to approval by the Cabinet Secretary, The National Treasury. This investment decision was instituted since investments in government securities offered higher yields.

- 4.71 Review of the Authority's Investment Policy Statement (IPS) indicated that the Authority should invest 50% of the available cash in Treasury Bonds, 45% in Treasury Bills, and retain 5% as cash to pay out claims. The Authority had invested Kshs.22.3 billion and generated an income of Kshs.13.1 billion over the financial years 2018/2019 to 2023/2024, as detailed in **Table 21**. This implied that the Authority was able to safeguard the unclaimed financial assets received from holders and at the same time make returns on investment. A portion of the returns from the investments were used to finance the Authority's operations.

Table 21: Amount of Unclaimed Financial Assets Invested

Financial Year	Trust Fund Receipts (Kshs.)	Amount Invested (Kshs.)	Income Generated (Kshs.)
2018/19	2,935,047,332	3,360,291,000	1,191,799,000
2019/20	3,226,067,588	3,880,217,000	1,403,516,000
2020/21	3,663,400,317	4,592,297,000	1,586,496,000
2021/22	2,904,513,514	3,276,618,000	1,863,265,000
2022/23	4,540,135,930	3,774,764,000	2,350,800,000
2023/24	3,898,371,000	3,421,949,517	4,741,444,000
Total	21,167,535,681	22,306,136,517	13,137,320,000

Source: OAG Review of the Authority's Investment Documents

b) Lack of a Mechanism to Receive and Safeguard Non-Cash Assets

- 4.72 The audit revealed that the Authority received reports on unclaimed non-cash assets, such as shares amounting to 1.7 million units, which remained in the custody of their original holders. This was because the UFA Act, 2011 did not have a mechanism for the receipt and secure management of non-cash assets. As at the time of audit, in August 2024, the Authority was not allowed under the law to operate a Central Depository and Settlement Corporation (CDSC) account, which is necessary for facilitating the transfer of unclaimed shares. Consequently, the Authority could not directly safeguard non-cash assets beyond the direct control of the Authority.

**c) Lack of Full Utilization of Investment Income Reserves for Long Term
Socio-economic Development**

4.73 Section 44(1)(b) of the UFA Act, 2011 stipulates that the Authority may utilize funds from the Trust Fund, with the approval of the Cabinet Secretary, The National Treasury, to finance costs associated with the administration of the Authority and the performance of its functions. The audit established that out of Kshs.13.1 billion generated as investment income, Kshs.3.4 billion was used to finance the Authority's operations for the six (6) years under review, as indicated in **Table 22**.

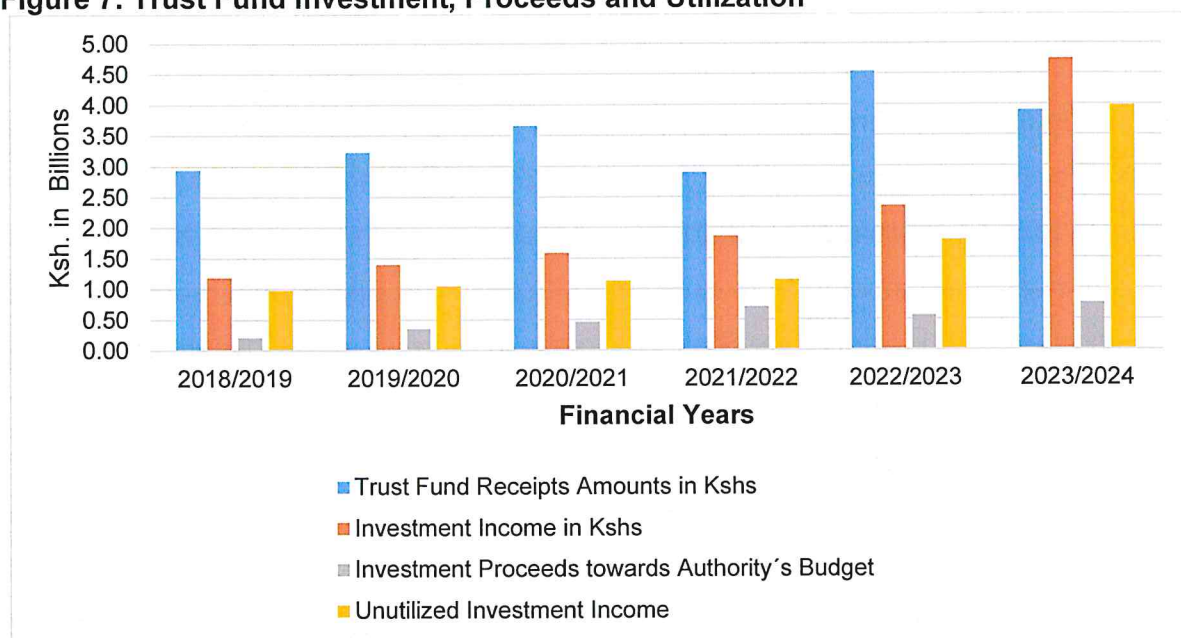
Table 22: Trust Fund Investment Income and Allocation Towards the Authority's Budget

Financial Year	Trust Fund Investment Income (Kshs.)	Trust Investment Allocation Towards the Authority's Budget (Kshs.)	Proportion of Trust Fund Income
2018/2019	1,191,799,000	354,676,000	29.76%
2019/2020	1,403,516,000	458,300,000	32.65%
2020/2021	1,586,496,000	714,100,000	45.01%
2021/2022	1,863,265,000	559,600,000	30.03%
2022/2023	2,350,800,000	651,030,000	27.69%
2023/2024	4,741,444,000	761,398,000	16.06%
Total	13,137,320,000	3,499,104,000	26.63%

Source: OAG Review of the Authority's Trust Fund Growth and Budget

The balance of 73.37% of the investment income was retained in the Trust Fund for reinvestment in subsequent cycles, leading to continued growth in unutilized investment income, as shown in **Figure 7**.

Figure 7: Trust Fund Investment, Proceeds and Utilization



Source: OAG Analysis of the Authority's Investment Records

- 4.74 Although the Authority was able to capitalize on the investment income to finance its operations, there was still an unutilized investment income of Kshs.9.6 billion lying in the Trust Fund.
- 4.75 The Taskforce Report on Unclaimed Financial Assets of 2008, that recommended the establishment of an Unclaimed Financial Authority, proposed that the proceeds of investment of unclaimed financial assets should be used for long term socio-economic development. A cause for socio-economic development is one whose purpose is to maintain the social and material well-being of the nation and its people to achieve the highest possible level of human development.
- 4.76 As at the time of audit, the Authority had not undertaken any activity geared towards socio-economic development, despite the availability of reserves from investment income. This was due to lack of a policy or legal framework to guide the Authority on how the accruing proceeds of investment were to be fully utilized for long-term socio-economic development. The absence of such a policy or legal framework may pose the risk of the Country losing out on public investment opportunities that could uplift the economy. For instance, the amount of Kshs.9.6 billion in the Trust Fund account is a substantial amount to construct and equip a medical facility equivalent to the Kenyatta University Teaching and Referral Hospital, which costed approximately Kshs.10 billion. The facility would ensure that the public have access to specialised

medical services, receive medical emergency treatment requiring advanced care and also serve as a teaching facility for medical students.

- 4.77 As at August 2024, Kenya was the only Country in the African region with a dedicated entity focused solely on managing unclaimed financial assets. A review of how other regimes outside Africa managed unclaimed financial assets indicated that some have utilized investment income from unclaimed financial assets towards socio-economic development. For instance, the State of Florida developed social investment plans for utilizing unclaimed financial assets accruals in programs designed to support education. Additionally, a review of the United Kingdom regime of unclaimed assets revealed that the Commission in charge of unclaimed financial assets included proposals to support funding for third sector organizations¹⁸, supporting communities to acquire land or buildings and promoting enterprise in disadvantaged communities.
- 4.78 The audit also established that the Swedish Government utilized accruals of unclaimed financial assets to support measures for the care and upbringing of children and young people. The resources were also allocated for the establishment of institutions such as orphanages, preschools and childcare centres.
- 4.79 The above highlighted developments from various regimes point towards the utilization of unclaimed financial assets towards a social economic cause.

4. Other Finding – Use of Outdated Data on the Number and Value of Unclaimed Financial Assets Held by Holders

- 4.80 The Authority conducted a Baseline Survey in 2018 to determine the number of holders and estimate the value of unclaimed financial assets held by holders. This was in an effort to ensure compliance of holders and enable the Authority have accurate and complete data on the same. However, as at the time of audit in August 2024, the Authority had not conducted a follow-up survey to update and inform the current number of holders and the value of unclaimed financial assets held by holders.
- 4.81 Additionally, the Authority had not established clear timeframes for updating the data in the baseline survey. Since six (6) years had elapsed since the last survey, the data currently in use by the Authority is outdated and does not reflect the present status on the number and value of unclaimed financial assets held by holders.

¹⁸These are entities that are neither public sector (government) nor private sector (for-profit businesses). They are also known as the voluntary sector, non-profit sector, or civil society.

4.82 As a result, there is a likelihood that some unclaimed financial assets held by holders remain undisclosed and are not captured in the Authority's database. This gap limits the possibility of surrender of such assets to the Authority for safeguarding and subsequent reunification to the rightful owners. In addition, the delay in the surrender of the assets represents an opportunity cost, as the Authority could have generated additional income by investing the assets in Government Securities.

5.0 CONCLUSION

- 5.1 The enforcement mechanisms used by the Authority have not been effective in ensuring that holders of unclaimed financial assets surrender them to the Authority. This is evidenced by the fact that a significant portion of unclaimed financial assets have not been surrendered by holders, and the Authority has not recovered unclaimed financial assets identified during holders' compliance audits. As a result, the Authority has not been able to safeguard these assets for eventual reunification with the rightful owners thus denying the owners an opportunity to enjoy their assets. In addition, the Authority is losing out of the investment income accruing from these surrendered assets.
- 5.2 The Authority has not reunified a substantial portion of the unclaimed financial assets held in the Trust Fund. The mechanisms used by the Authority to locate and notify apparent owners of unclaimed financial assets are not adequate to ensure that the assets are reunited for personal or economic benefit.
- 5.3 The mechanisms used by the Authority to process claims lodged by apparent owners are inefficient. The claim process is both costly and time-consuming, especially to low-value claimants, since the process is applied uniformly to all claims regardless of the asset value. As a result, most surrendered assets remain idle, thereby denying the rightful owners' access to their assets and limiting their potential contribution to the economy.
- 5.4 The Authority has put in place mechanisms for safeguarding cash assets remitted by holders through investment in Government Securities. This has ensured adequate cash flows to settle approved claims and to finance the Authority's operations.
- 5.5 The Authority does not have a legal framework for safeguarding unclaimed non-cash assets, such as shares, which have remained with the original holders. This poses risks of loss and devaluation.
- 5.6 There is no legal framework governing the utilization of the balance of the investment income held in the Trust Fund. This restricts the use of the funds towards socio-economic development as envisioned in the Taskforce Report on

Unclaimed Financial Assets, 2008. It also increases the risk of misapplication or loss of the funds.

6.0 RECOMMENDATIONS

- 6.1 In view of the findings and conclusion of the audit, the Auditor-General proposes the following recommendations: -

Non-compliance by Holders in Surrender of Unclaimed Financial Assets to the Authority

- 6.2 To increase voluntary compliance by holders in surrender of unclaimed financial assets, the Unclaimed Financial Assets Authority should effectively create awareness to holders on the categories of assets qualifying as unclaimed financial assets and the statutory timelines for remittances.
- 6.3 To enhance recoverability of the unclaimed financial assets identified during compliance audits, the Authority should put in place effective mechanisms to close the completed compliance audits.
- 6.4 To reduce the high penalties that discourage the holders from remitting, The Authority should consider applying a more friendly penalty calculation formula that caps the limit of penalties. An example is the Duplum rule applied in the banking sector.
- 6.5 For outsourced compliance audits, the Authority should introduce a clause in the contracts with outsourced compliance auditors, detailing how unresolved issues relating to closure of the audits should be dealt with. This will enhance efficiency in the recovery of unclaimed financial assets identified during audits.
- 6.6 To enhance compliance on surrender of unclaimed financial assets by public institutions, the Authority should develop and implement effective enforcement mechanisms, including collaborations with the regulators in the different sectors, as well as other assurance providers, for example, external auditors. The Authority should also enhance communication and information sharing with public institutions.
- 6.7 To address the continued non-compliance by public institutions and to strengthen enforcement, the Authority should ride on the requirement for public institutions to shift to the accrual basis of accounting. The accrual basis will enhance disclosure of the unclaimed financial assets and subsequent reporting to the Authority in accordance with the UFA Act, 2011.

Low Rate of Reunifying Unclaimed Financial Assets

- 6.8 The Authority, in collaboration with The National Treasury, should amend the Unclaimed Financial Assets Act, 2011 and Unclaimed Financial Assets Regulation, 2016 to enable the Authority update the holder reporting forms. This will assist in capturing all the relevant contact information of apparent owners and enable the Authority to locate and notify apparent owners about the existence of their unclaimed financial assets for reunification.
- 6.9 To access more apparent owners of unclaimed financial assets during reunification exercises, the Authority should strengthen partnerships with county governments, the National Government Administrative Officers at the community level, the National Registration Bureau, and the Registrar of Companies. The collaborations will eventually increase the effectiveness of the mechanisms used to locate and notify apparent owners.
- 6.10 To enhance the reunification of unclaimed financial assets at source, the Authority should collaborate with holders to update contact details of apparent owners. This will enable holders to have comprehensive information of apparent owners thus locating them with ease. The Authority could also consider collaborating with the respective regulatory bodies to enhance contact data requirement for existing holders of financial assets.
- 6.11 The National Treasury, should consider approving the proposed amendment to Section 45 of the Unclaimed Financial Assets Act, 2011 and Section 11 of the Unclaimed Financial Assets Regulation 2016 to include a differentiated claim process that does not burden low value claimants, thereby encouraging them to lodge claims. In addition, review of Section 28 of the Unclaimed Financial Assets Regulation 2016 will give room to claimants to donate assets to a cause of their choice.
- 6.12 The Authority should increase its geographical presence by providing services through Huduma Centres. This will increase the accessibility of their services by citizens and facilitate; receipt of assets from holders, reunification of assets to the rightful owners and provision of informational services to the public.
- 6.13 The Authority, in collaboration with The National Treasury, should follow-up with the Public Service Commission on the approval of the Authority's human resource instruments. The approval will facilitate the recruitment of technical staff

that process and verify claims for payment, thereby improving on efficiency and timeliness in reunification of unclaimed financial assets with the rightful owners.

Safeguarding of Unclaimed Financial Assets

- 6.14 The Authority, through The National Treasury, should develop a framework for the receipt and management of unclaimed non-cash assets from holders, for subsequent safeguarding and reunification.
- 6.15 To mitigate the risk of loss and misapplication of funds, The National Treasury should consider developing and implementing a framework for the utilization of the balance of income generated from the unclaimed financial assets for socio-economic development.

Use of Outdated Data on the Number and Value of Unclaimed Financial Assets Held by Holders

- 6.16 In order to maintain accurate and current data on the number of holders and value of unclaimed financial assets, the Authority should update its current data. The Authority should also develop a framework for periodical updates of the data.

7.0 APPENDICES

Appendix I: Documents Reviewed

Document	Reason for Review
Holder's Compliance Audit Reports	To verify the unclaimed financial assets identified through the compliance audits, assess holder's compliance status, audit fees and penalties imposed on non-compliant holders.
Claims Register	To determine the types of claims submitted, their processing times, and the Authority's efficiency in handling claims.
Records of apparent owners received from holders	To ascertain the volume of records received from holders and the corresponding value of unclaimed financial assets remitted to the Trust Fund.
Stakeholder Awareness and Sensitization Reports	To determine the extent of awareness campaigns, including the number of sessions conducted, targeted stakeholders, and overall outreach effectiveness.
Rapid Results Initiative (RRI) Reports	To ascertain the scope of the RRI, specifically the number of counties covered, the various claimant categories addressed, and the challenges encountered during the initiative.
Reunification Exercise Reports	To ascertain the foot traffic in the reunification clinics, expenditure on the reunification campaigns, amount of UFAs reunified and the challenges identified.
MoUs with Regulators	To understand the nature of collaboration between the Authority and various regulators.
Authority's Current Staff Establishment	To confirm the existing staff structure, focusing on the composition and number of staff assigned to the Authority's core functions, as well as any staffing challenges encountered.
Authority's Approved Staff Establishment	To compare the approved staffing structure against the current establishment, assessing any discrepancies and reasons for non-implementation of the approved staffing levels.
Correspondences with The National Treasury on Utilization of Trust Fund Income.	To confirm that the Authority had obtained necessary approvals from The National Treasury for utilizing investment proceeds from the Trust Fund for operational cost.
Data on Trust Fund Growth	Evaluated to analyse the Trust Fund's growth attributable to investment activities.

Appendix II: Entities Interviewed

	County	Entity Interviewed	Category
1.	Nairobi	University of Nairobi	Holder
		National Bank of Kenya	Holder
		NCBA Bank	Holder
		Airtel Kenya	Holder
		Safaricom Ltd	Holder
		Jubilee Insurance	Holder
		Harambee SACCO	Holder
		Public Trustee	Holder
		Chief Registrar of Judiciary	Holder in Charge
		Harambee Sacco	Holder
		CIC Insurance	Holder
		Insurance Regulatory Authority	Regulator
		National Social Security Fund (NSSF)	Holder
2.	Embu	Public Trustee	Holder and Claimant
3.	Kisumu	Maseno University	Holder
		Maseno University Retirements and Benefits Scheme	Holder
		Public Trustee	Holder and Claimant
		Aga-Khan Hospital	Holder and Claimant
		Nyando Cooperative Sacco	Claimant
		Kisumu Law Courts	Judiciary
4.	Narok	Maasai Mara University	Holder
		Good Hope Sacco	Holder
		Narok Law Courts	Judiciary
		Narok Water Company	Holder
5.	Machakos	Machakos University	Holder
		Kwetu Sacco Limited	Holder
		Masaku Staff Housing Cooperative	Claimant
		Machakos Law Court	Judiciary
		Public Trustee	Holder and Claimant
6.	Nyeri	Public Trustee	Holder and Claimant
		Dedan Kimathi University	Holder
		Nyeri Law Court	Judiciary
		Biashara Sacco	Holder
		New Fortis Sacco	Holder
		Nyeri National Polytechnic	Holder

	County	Entity Interviewed	Category
7.	Garissa	Garissa University	Holder
		Garissa Law Court	Judiciary
		Gulf African Bank	Holder
		Premium Bank	Holder
8.	Mombasa	Mombasa Canvas Limited	Claimant
		Finlay's Tea Company	Claimant
		Public Trustee	Holder and Claimant
		Bandari Sacco	Holder
		Mombasa Law Court	Judiciary
		Technical University of Mombasa	Holder and Claimant
		AGNI Enterprises Limited	Claimant

Appendix III: Reasons for Interviews

Interviewee	Reasons for Interview
Holder	✓ To ascertain if they had made any reasonable efforts to locate and unify assets at source ✓ To establish if there existed any differences between the industry practice and the Authority's regulations ✓ To establish the compliance of all holders in remitting all unclaimed financial assets to the Authority ✓ To establish the challenges that exist and recommendations to improve their services
Apparent owner	✓ To establish how they got to know about the existence of their unclaimed financial assets ✓ To determine the cost implications of lodging a claim ✓ To ascertain the challenges experienced if any on the claim process and recommendations to improve the process
Regulator	✓ To ascertain how they have ensured that holders under their purview remit all unclaimed financial assets to the Authority ✓ To establish the collaboration mechanism with the Authority ✓ To establish the challenges that exist and recommendations to improve their services
Public Trustee	✓ To ascertain how the beneficiaries were notified of the existence of unclaimed financial assets ✓ To establish how the Public Trustee assists the apparent owners claim for their assets ✓ To establish the challenges that exist and recommendations to improve their services

Appendix IV: Holders Remittance Forms

FORM 1		FIRST SCHEDULE HOLDER REPORTING INFORMATION		(Regulation 5)
				DATE STAMP
PART I-REPORT INFORMATION				
FILING DATE	REPORT PERIOD ENDING	COMPANY REGISTRATION NO.	PIN NUMBER	
TOTAL NO. OF ITEMS	TOTAL NO. OF SHARES	TOTAL NO. OF SAFE DEPOSIT BOXES	CHEQUE/RTGS/EFT NUMBER	AMOUNT
PART II-HOLDER INFORMATION				
THIS REPORT INCLUDES:				
☐ ALL BRANCHES AND DIVISIONS		☐ ALL SUBSIDIARIES		☐ ONLY THIS COMPANY/BRANCH/DIVISION
NAME OF HOLDER			PLACE OF INCORPORATION	
POSTAL ADDRESS			DATE OF INCORPORATION	
CITY/TOWN, POSTAL CODE, COUNTY				
PRIMARY PLACE OF BUSINESS (CITY/TOWN, POSTAL CODE, COUNTY)				
PROVIDE PREVIOUS HOLDER INFORMATION IF YOU ARE A SUCCESSOR TO PREVIOUS HOLDERS OF THE PROPERTY. IF YOU HAVE CHANGED YOUR NAME OR ADDRESS DURING THE TIME PERIOD THAT YOU HAVE HELD THE PROPERTY, LIST THE PRIOR NAME(S) AND ADDRESS(ES) YOU HAVE REPORTED UNDER				

[illegible]

Appendix V: Unclaimed Financial Assets Management Response to Audit Findings, Conclusion and Recommendations

Finding	Authority's Response	Auditors Comments												
Low Levels of Compliance														
Inadequate holders' awareness leading to low levels of compliance	The Authority has noted the findings and recommendations and has scheduled regular sensitization campaigns, at least two (2) forums every quarter.	The Office has noted the efforts the Authority has made to increase awareness among holders. However, the finding remains as reported.												
Failure to recover assets identified in compliance audits	The Authority has noted the finding and has started legal action against non-compliant holders whose audits have been closed but have not remitted identified assets. Regarding the status of the audits, 131 audits have been closed with three (3) audits classified as work in progress due to holder specific challenges. The identified assets in the closed audits are in various stages of recovery. The current summary of compliance audits is as shown:	The Office has noted the efforts the Authority has made to recover unclaimed assets. The value of assets identified, recovered, re-united at source and amounts outstanding has been updated in the report.												
	<table><tr><th>Compliance Status as at December 2024</th><th>Amount (Kshs.)</th></tr><tr><td>UFA identified</td><td>13,432,907,178</td></tr><tr><td>UFA Recovered</td><td>1,869,411,715</td></tr><tr><td>Unqualifying</td><td>272,355,915</td></tr><tr><td>Reunification at Source</td><td>1,131,584,206</td></tr><tr><td>Outstanding</td><td>10,159,555,342</td></tr></table>		Compliance Status as at December 2024	Amount (Kshs.)	UFA identified	13,432,907,178	UFA Recovered	1,869,411,715	Unqualifying	272,355,915	Reunification at Source	1,131,584,206	Outstanding	10,159,555,342
	Compliance Status as at December 2024		Amount (Kshs.)											
	UFA identified		13,432,907,178											
	UFA Recovered		1,869,411,715											
	Unqualifying		272,355,915											
	Reunification at Source		1,131,584,206											
Outstanding	10,159,555,342													
	The Authority will continue to enforce recovery of the identified assets, including undertaking legal action for non-compliant holders.	The audit has noted the efforts the Authority has made to recover the unclaimed assets. However, there was no evidence provided to show the legal actions instituted for non-compliant holders. The finding therefore remains as reported.												

Finding	Authority's Response	Auditors Comments
	To address the inadequate staff capacity and ensure use of internal capacity to inspect and recover assets, the Authority is in the process of implementing the approved human resource instruments.	The Office notes the efforts made by the Authority in addressing staff capacity towards inspecting and recovering assets. The Office will assess the progress that will have been made in the audit follow-up. The finding therefore remains as reported.
	Regarding the low compliance and recovery of public sector holders, the management engaged The National Treasury and Ministry of Education to assist in the recovery of unclaimed assets identified in the public sector.	The Office has noted the ongoing engagements with stakeholders in the public sector. However, there was no evidence indicating Authority's effort in the recovery of unclaimed financial assets or compliance from public sector. The finding therefore remains as reported.
	For qualifying assets in the judiciary, there is an ongoing engagement with the Judiciary to surrender and remit unclaimed assets within the Judiciary (court refunds).	The Office has reported the ongoing engagement with the Judiciary. However, the Judiciary has not remitted unclaimed financial assets to the Authority and as such, the finding remains as reported.
	The Management has plans to audit the courts and ensure remittance of these assets for eventual reunification with their owners. The same applies to water companies, higher learning institutions, and other public entities.	The Office has noted the plans in place to ensure remittance of unclaimed financial assets by public institutions. The Office will assess the progress that will have been made during audit follow-up. Therefore, the finding remains as reported.
	In addition, the Authority has issues hampering the recovery of identified assets, especially in the Insurance Sector, the Management sought legal interpretations from the Attorney General's office to assist in	The Office has noted the efforts by the Authority to seek legal interpretations on issues hampering the recovery of

Finding	Authority's Response	Auditors Comments
	the recovery of the identified assets. This was provided and will guide the Authority in its engagements with holders towards the recovery of identified assets.	identified assets. Therefore, the finding remains as reported.
	Finally, the management will undertake continuous and robust awareness campaigns for holders and enhance compliance and remittances of qualifying assets.	The Office has noted Authority's plan to undertake continuous and robust awareness campaigns for holders and enhance compliance and remittances of qualifying assets. Therefore, the finding remains as reported.
Safeguarding of Unclaimed Financial Assets		
	The findings on safeguarding have been noted. The Authority invests entirely in government securities in line with The National Treasury circular on public funds investments and its Investment Policy Statement (IPS).	This had already been incorporated in the audit report. Therefore, the finding remains as reported.
	On lack of investment of reported non-cash assets, the management is in the process of onboarding these assets, including shares, unit trusts and safe deposit boxes. These assets will then be invested again in line with the Investment Policy Statement and government directives issued from time to time.	The Office acknowledges the process the Authority has started in on boarding non-cash assets. However, the finding remains as reported.
	Regarding the unutilized trust fund income, the management in liaison with The National Treasury is developing a comprehensive national policy on unclaimed assets which will guide the Authority on utilization of the surpluses. These include apportioning part of the fund income to owners of remitted assets, social economic investments for shared social prosperity, among other proposals under consideration.	The Office acknowledges the liaison with The National Treasury to develop a comprehensive national policy on unclaimed financial assets to guide the utilization of the surpluses. However, the finding remains as reported and the progress that will have been made will be assessed during the audit follow-up.

Finding	Authority's Response	Auditors Comments
Low Rate of Reunification of Unclaimed Financial Assets		
	The Fund started operations of receiving unclaimed assets from holders in 2014. However, the process of reuniting unclaimed financial assets with their rightful owners commenced in the financial year 2016/2027. As of December 31, 2023, the Authority had disbursed Kshs.2.034 billion to 29,000 claimants, amounting to 6.39% of the total cash assets received, which stood at Kshs. 31,804,933,730. Moving forward, the Authority aims to amplify these efforts in alignment with the Strategic Plan for the period 2023 to 2028, with the goal of achieving higher reunification figures. The Management has attributed the slow pace of reunification to the following factors: i. Non-differentiated claim process prescribed in the law which discourages low value claims due to the cost implications; ii. Regulatory regime that prescribes forms which favour physical delivery of documents by claimants and manual processing; iii. Nature of unclaimed assets where tracing and location of rightful owners takes time; iv. Low staff capacity- as at 30 June, 2024, the Authority had thirty-one (31) staff who also doubled as the Funds staff to handle operations countrywide; v. Low awareness levels by beneficiaries; and vi. Many receipts of very small amounts without any provision or mechanism to donate these funds.	The Office has noted in the report the bottlenecks that the Authority faces in reunification of unclaimed assets to the rightful owners. Therefore, the finding remains as reported.

Finding	Authority's Response	Auditors Comments
	The Management has proposed and adopted several measures to address the low reunification. Further, the Management has initiated intervention measures to accelerate reunification rates, including but not limited to: - Decentralization of UFAA services to Huduma Centers; - Reunification clinics; - Publishing of potential claimants in at least one newspaper of wide circulation; - Tracing and locating institutions with unclaimed financial assets; - Use of reunification agents; - Further integration with other Government/stakeholders platforms and systems; - Proposed amendments to the Unclaimed Financial Assets Act, 2011 and Unclaimed Financial Assets Regulation, 2016 to enhance reunification by making the process cheaper and simpler for low value claims; - Implementing the human resource instruments to enhance capacity in the reunification department for increased reunification of assets; - Enhance automation and decentralization of the services delivery through various channels/activities stated herein; - Strengthen claimants' engagement framework by having scheduled activities that will engage both the holders and claimants; - Strengthen unclaimed assets database analytics by training staff	

Finding	Authority's Response	Auditors Comments
	on the use of data analytics and implementing data analytics during decision making; and I. Explore the use of reunification agents.	

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