

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY

DATE: 00 NOV 2022

Wednesday - Afternoon

TABLED

BY:

Hon Kimani Ichungwa, MP
Leader of Majority Party

REPORT

Mariah Wangitu

OF

THE AUDITOR-GENERAL

ON

**WITNESS PROTECTION AGENCY STAFF
MOTOR CAR LOAN SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**



**WITNESS PROTECTION AGENCY STAFF MOTOR
CAR LOAN SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR

ENDED 30TH JUNE 2019

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



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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Witness Protection Agency Staff Motor Car Loan Scheme Fund is established by and derives its authority and accountability from the State Officers and other public officers of Government of Kenya circular dated 17th December, 2014 by the SRC's circular and regulated by Witness Protection Agency Staff Motor Car Loan Scheme Fund Regulations approved by Witness Protection Advisory Board on January 2018. The Fund is wholly owned by the Witness Protection Agency and is domiciled in Kenya.

The Fund's objective is to provide Motor Car loan facility to Witness Protection Agency staff to purchase motor cars as prescribed in the Regulations and cater for administrative expenses of the fund.

Witness Protection Agency operates in a covert nature and therefore the Profile of the Motor Car Loan Scheme Fund Committee and key management of the Scheme could not be included.

b) Principal Activity

The Fund's principal activity is to provide car loans to Witness Protection Agency members of staff to enable them own personal cars.

c) Fund Administration Committee

Ref	Name	Position
1	Deputy Director, Corporate Affairs	Chairperson
2	Deputy Director, Operations	Deputy Chairperson
3	Finance Manager	Member
4	Senior Legal Officer	Member
5	Principal Administration Officer	Member
6	Chief Protection Officer	Member
7	Principal Human Resource Officer	Secretary

d) Key Management

Ref	Name	Position
1	Director/Chief Executive	Fund Administrator
2	Deputy Director, Corporate Affairs	Chairperson, Witness Protection Agency Motor Car Loan Scheme Fund Committee



e) Registered Offices

Milimani Law Court Building
Room 413
P.O. Box 28801-00101
Nairobi, KENYA

f) Fund Contacts

Telephone: (254) (020) 7121337/8, 0770909207,
Hotline: (254)0711222441, 0725222442
E-mail: info@wpa.go.ke
Website: www.wpa.go.ke

g) Fund Banker

HFC Rehani House,
Kenyatta Avenue/Koinange Street,
Nairobi, Kenya,
Account Numbers. 378878401-0, 3788783101-0

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. MANAGEMENT TEAM

Name	Details of qualifications and experience
Director/Chief Executive	Fund Administrator
Deputy Director, Corporate Affairs	Fund Committee Chairperson



3. REPORT OF THE OFFICER ADMINISTERING THE FUND

After a successful procurement of Housing Finance Company Ltd. (HFC) as the Fund Manager, the Scheme was finally operationalized during the year under review and several officers have already benefited by being advanced loans to purchase cars. This has been made possible by effective processing of the car loans by HFC Ltd (Fund Manager) whose duties are as here under stated;

- (i) HFC shall provide Witness Protection Agency staff members with car loan product as more particularly described in the First Schedule of the Agreement. HFC shall advise Witness Protection Agency of the development and launch of any products which may be included in the product offering of the Agreement.
- (ii) HFC shall operate the Staff Car Loan Scheme for Witness Protection Agency employees upon the terms and conditions contained in the Second Schedule.
- (iii) HFC shall appraise all Witness Protection Agency staff member loan requests, including but not limited to the creditworthiness and loan repayment ability of the staff member/applicant. All loan appraisals shall be subject to a satisfactory submission of all requisite supporting documents as set out in the Third Schedule. Loan approvals shall be subject to HFC standard credit policy and HFC shall accept no responsibility and liability from any applicant for a declined application.
- (iv) HFC shall provide Witness Protection Agency with monthly reports on or before the 10th day of each month of any material information from time to time regarding the conduct of the Car Loan Scheme that would affect the performance of the agreement.
- (v) HFC shall provide Witness Protection Agency staff members with at least bi-annual statements regarding the status of their loan accounts, including but not restricted to repayments and interest charged.

Further, the Fund status as at 30th June 2019 was as follows;

- a) The total value of the Fund was Kes18,559,313.00
- b) Total loan amount disbursed during the year was Kes9,160,000.00
- c) Total loan repayments during the year was Kes420,478.20
- d) Total loan balance was Kes8,739,521.80
- e) Total Car Loan interest for the year was Kes94,614.00

Congratulations to the Witness Protection Agency Motor Car Loan Scheme Fund Committee and Secretariat for working tirelessly beyond their normal duties to operationalize the Scheme as well as HFC for winning the tender to manage the Fund and hope the Company will continue providing excellent services in the management of the Fund.



Finally, with continued support from the National Treasury, it is my hope that the Scheme will have enough funds to benefit all members of staff who wish to be advanced Car loans to purchase cars for their easy mobility to and from the workplace.

Jedidah Waruhiu
FUND ADMINISTRATOR AND
DIRECTOR/CHIEF EXECUTIVE

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4. FUND COMMITTEE CHAIRPERSON'S REPORT

The Witness Protection Agency Staff Motor Car Loan Scheme Fund was allocated Kes9,000,000 in FY 2017/2018, which was not utilized during the year owing to the long time taken to procure the Fund Manager. A further Kes9,000,000 was allocated to the Agency in FY 2018/2019 for the Fund. The Fund, therefore, had a total of Kes18,000,000 for utilization in FY 2018/2019.

The Scheme Fund Committee, in liaison with Housing Finance Company Ltd. (Fund Manager) operationalized the Scheme during the year under review. Seven (7) members of staff were advanced car loans and purchased cars. This has eased the officers' mobility to effectively perform their Agency duties.

The Fund committee thanks the Agency management for continued support especially during these initial stages in the management of the Scheme Fund. We also congratulate Housing Finance Company Ltd. for winning the tender to manage the Fund and hope for a cordial relationship for seamless Fund management.

The committee further reports the following for FY2019/2020:

- (i) Total amount for the loans disbursed in the year was Kes9,160,000.00
- (ii) Total interest earned in the year was Kes632,658.50
- (iii) Total expenses incurred in the year was Kes73,345.50
- (iv) Surplus funds during the year was Kes559,313.00

FCPA K. A Tanui
FUND COMMITTEE CHAIRPERSON



5. MANAGEMENT DISCUSSION AND ANALYSIS

The Scheme Fund's records have been properly kept including records for the Fund's books of accounts as per Section 8 (1) and 8 (2) of the Fund's Regulations and quarterly financial statements for the Fund prepared and submitted to the National Treasury and the Office of the Auditor General.

The total value of the Fund as at 30th June, 2019 was Kes18,559,313.00 while the Fund's balance was Kes9,311.958

All the loan applications in the year under review had either been successfully processed or being processed without any hitch. Total number of loans processed in the year were seven.

Total expenses incurred for the management of the Fund in the course of the year was Kes73,345.50.

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6. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 83 of PFM Act, 2012 and Section 8 of the Witness Protection Agency Staff Motor Car Loan Scheme Fund Regulations of January, 2016, require that, at the end of each financial, the Administrator of Witness Protection Agency Motor Car Loan Scheme Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Witness Protection Agency Staff Motor Car Loan Scheme Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the period. This responsibility includes:


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

The Administrator of the Witness Protection Agency Staff Motor Car Loan Scheme Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Witness Protection Agency Motor Car Loan Scheme Regulations and Guidelines of January, 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the period ended June 30, 2019, and of the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Witness Protection Agency Staff Motor Car Loan Scheme Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Fund Committee on 20th August 2019 and signed on its behalf by:


Administrator of the Witness Protection Agency Motor Car Loan Scheme Fund

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WITNESS PROTECTION AGENCY STAFF MOTOR CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Witness Protection Agency Staff Motor Car Loan Scheme Fund as set out on pages 1 to 11, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Witness Protection Agency Staff Motor Car Loan Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Witness Protection Agency Staff Motor Car Loan Scheme Fund Regulations, 2016.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 July, 2022

Report of the Auditor-General Witness Protection Agency Staff Motor Car Loan Scheme Fund for the year ended 30 June, 2019



FINANCIAL STATEMENTS
8. STATEMENT OF FINANCIAL PERFORMANCE FOR PERIOD ENDED 30TH JUNE 2019

	Note	FY2018/2019 Kes	FY2017/2018 Kes
Revenue from exchange transactions			
Fixed Deposit Interest Income(Bank)	4	538,044.50	-
Car Loan Interest (4%)	5	94,614.00	-
Total revenue		632,658.50	-
Expenses			
3% Administrative Fees to the Bank	5	70,960.50	-
Bank Charges	10	2,385.00	-
Committee, Sub Committee and Secretariat Allowance		-	
Total expenses		73,345.50	-
Other gains/losses		-	-
Surplus/(deficit) for the period		559,313.00	-


The notes set out on pages 6 to 11 form an integral part of these Financial Statements


Jedidah Waruhiu
**ADMINISTRATOR
OF THE FUND**

Date: 23.06.2022


FCPA K. A Tanui
**CHAIRPERSON, SCHEME
FUND COMMITTEE**

Date: 23.06.2022


CPA Ronoh Philemon
**FUND ACCOUNTANT
ICPAK NO: 7250**

Date: 23.06.2022



9. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Note	FY2018/2019	FY2017/2018
Assets		Kes	Kes
Current Assets			
Cash and cash equivalents	6	9,311,958.70	9,000,000
Fixed Deposit Interest Income Accrued	4	63,700.80	
Car Loan Interest (1%) Accrued	5	23,653.50	
Current Loan Receivable from staff	7	420,478.20	
Total Current Assets		9,819,791.20	
Long Term Assets			
Loan Receivable from staff	8	8,739,521.80	-
Non-current assets			
Total assets		18,559,313.00	9,000,000
Liabilities			
Current liabilities			
Accrued Committee and Secretariat Allowance			-
Non-current liabilities			
Total liabilities			-
Net assets			
Revenue Reserve (Accumulated funds)		559,313.00	-
Car Loan Revolving Fund	9	18,000,000.00	9,000,000
Total Net Assets		18,559,313.00	9,000,000
Total net assets and liabilities		18,559,313.00	9,000,000

The Financial Statements were approved on 20th August 2019 and signed by:

Jedidah Waruhiu
**ADMINISTRATOR
OF THE FUND**

Date: 23.06.2022

K. A Tanui
**CHAIRPERSON, SCHEME
FUND COMMITTEE**

Date: 23.06.2022

Ronoh Philemon
FUND ACCOUNTANT
ICPAK NO: 7250

Date: 23.06.2022



10. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30TH JUNE 2019


	Revolving Fund	Revenue Reserve	TOTAL
	Kes	Kes	Kes
Balance as at 1 st July 2017	-		-
Transfer from Witness Protection Agency	9,000,000.00		9,000,000.00
Accumulated Surplus		-	-
Balance as at 30 th June 2018	9,000,000.00		9,000,000.00
Balance as at 1 st July 2018	9,000,000.00		9,000,000.00
Transfer from Witness Protection Agency	9,000,000.00		9,000,000.00
Surplus for the period		559,313.00	559,313.00
Balance as at 30 th June 2019	18,000,000.00	559,313.00	18,559,313.00

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11. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE 2019


		FY2018/2019	FY2017/2018
	Note	Kes	Kes
Cash flows from operating activities			
Receipts			
Transfer from Witness Protection Agency	9	9,000,000.00	9,000,000
Fixed Deposit Interest Income received	4	474,343.70	
Car Loan Interest (1%)		-	
Total Receipts		9,474,343.70	9,000,000
Payments			
Bank charges	10	2,385.00	-
Loan Disbursement	7	9,160,000.00	-
Total Payments		9,162,385.00	-
Net cash flows from operating activities		311,958.70	9,000,000
Net increase/(decrease) in cash and cash equivalents		311,958.70	9,000,000
Cash and cash equivalents at the beginning of the year	6	9,000,000	-
Cash and cash equivalents at end of the Financial Year		9,311,958.70	9,000,000


Jedidah Waruhiu
**ADMINISTRATOR
OF THE FUND**

Date: 23.06.2022


FCPA K. A Tanui
**CHAIRPERSON, SCHEME
FUND COMMITTEE**

Date: 23.06.2022


CPA Ronoh Philemon
FUND ACCOUNTANT
ICPAK NO: 7250

Date: 23.06.2022



12. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2019

	Original Budget	Actual on Comparable basis	Performance difference	% Utilization	Notes
	FY2018/2019				
	Kes	Kes	Kes		
Revenue					
Credit Interest	500,000	497,997.20	(2,002.80)	99.6%	(i)
Interest Income	100,000	63,700.80	(36,299.20)	63.7%	(ii)
Total income	600,000	561,698.00	(38,302.00)	93.6%	
Expenses					
Bank Charges	200,000	2,385.00	(197,615.00)	1.2%	(iii)
Committee Allowance	400,000	-	(400,000.00)	-	
Total expenditure	600,000	2,385.00	(597,615.00)	0.4%	
Surplus for the period	-	559,313.00	559,313.00	-	(iv)

Budget notes

- I. Car loan interest income of 99.6% was achieved due to consistent repayment of Loans;
- II. Fixed term deposit Interest target was not attained because during the Financial Year, there was high uptake of loan as expected;
- III. Bank charges arising from payment of Committee and secretariat allowance;
- IV. There was a surplus of Kes. 559,313.00 as at 30th June 2019 which arose due to waiver of the bank charges by the HFC and high interest income on the unutilized fund in the Fixed Account and credit interest.



13. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

a) Early adoption of standards

The Scheme did not adopt any new or amended standards in the year since they are not applicable.

3. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The fund budget for FY 2018/2019 represents a transfer from Witness Protection Agency budget which was approved by the National Assembly.

The Scheme's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis



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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance.

c) Financial instruments

Financial assets

Loans and receivables

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

Financial liabilities

Loans and borrowing

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

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

d) Changes in accounting policies and estimates

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



e) Borrowing costs

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

f) Related parties

The Scheme regards a related party as a person or an Scheme with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the CEO, Witness Protection Agency Motor Car Loan Committee members and senior managers.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the HFC banks at the end of the financial year.

h) Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.



The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statement is considered adequate to cover any potentially irrecoverable amounts.

b) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Scheme on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favorable interest rates.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Fixed Deposit Interest Income

Description	FY2018/2019	FY2017/2018
	Kes	Kes
Fixed Deposit Interest Income received	474,343.70	-
Fixed Deposit Interest Income Accrued	63,700.80	-
Total	538,044.50	-

5. Car Loan Interest

Description	FY2018/2019	FY2017/2018
	Kes	Kes
Car Loan Interest (3%)	70,960.50	-
Car Loan Interest (1%)	23,653.50	-
Total Car Loan Interest (4%)	94,614.00	-

Car loan Interest income for the financial year was accrued at Kes.23,653.50.

6. Cash and Cash Equivalents

Description	FY2018/2019	FY2017/2018
	Kes	Kes
HFC Current Account -3788783401-0	9,311,958.70	9,000,000
HFC Backup Account -3788783101-0	-	-
Total cash and cash equivalents	9,311,958.70	9,000,000

7. Loan Disbursement and Receivables from Staff (Current Portion)

Description	FY2018/2019	FY2017/2018
	Kes	Kes
Loan	9,160,000.00	-
Current year staff Car Loan Received	(420,478.20)	-
Net Receivables	8,739,521.80	-



8. Loan Disbursement and Receivables from Staff (Long Term Portion)

Description	FY2018/2019	FY2017/2018
	Kes	Kes
Total Loan Disbursement	9,160,000.00	-
Total Receivables from staff	(420,478.20)	-
Total long term Receivable	8,739,521.80	-

9. Revolving Fund

Description	Revolving Fund	Total
	Kes	Kes
Balance as at 1 July 2017		
Transfers from Witness Protection Agency	9,000,000	9,000,000
Balance as at 30 June 2018	9,000,000	9,000,000
Balance as at 1 July 2018	9,000,000	9,000,000
Transfers from Witness Protection Agency	9,000,000	9,000,000
Balance as at 30 June 2019	18,000,000	18,000,000

10. Bank charges

Description	FY2018/2019	FY2017/2018
	Kes	Kes
Bank charges	2,385	-
Total	2,385	-

11. Events after the reporting period

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

12. Currency

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

13. Progress on follow up of Auditor's recommendations

This is the first audit exercise on the scheme's operation and therefore there are no any follow up on the Auditor recommendation.



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