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KENYA NATIONAL AUDIT OFFICE

**REPORT OF
THE
AUDITOR-GENERAL**

KENYA NATIONAL AUDIT OFFICE

ON

**THE FINANCIAL STATEMENTS
OF WITNESS PROTECTION AGENCY
FOR THE YEAR ENDED
30 JUNE 2013**

REPUBLIC OF KENYA



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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON WITNESS PROTECTION AGENCY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Witness Protection Agency (WPA) set out on Pages 1 to 21, which comprise the statement of financial position as at June 30, 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the Provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable

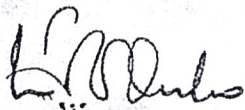
assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements, present fairly in all material respects the financial position of the Witness Protection Agency as at 30 June, 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Witness Protection Act, 2006.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 February 2014



WITNESS PROTECTION AGENCY

ANNUAL ACCOUNTS

2012/2013

*Prepared and Issued in Accordance with Section 3K
of The Witness Protection Act, 2006*



VISION

"To be the leading witness protection Agency in the world".

MISSION

"To promote the rule of law by providing an effective and efficient witness protection programme in Kenya".

CORE VALUES

The Witness Protection Agency commits itself to the highest standards of good governance by promoting excellence, fairness and accountability. The Agency conducts its business guided by the following core values:

- a) Professionalism
- b) Confidentiality
- c) Integrity and ethics
- d) Quality service delivery
- e) Teamwork
- f) Respect for diversity

STRATEGIC OBJECTIVES

The key strategic objectives of the Witness Protection Agency are consistent with the Agency's Strategic Plan for the period 2011-2013 whose overall aim is to improve the administration of justice by providing effective and efficient witness protection to intimidated and threatened witnesses.

The Strategic objectives were:

- a) To operationalize the Witness Protection Agency
- b) To create awareness on Witness Protection Agency
- c) To establish the Witness Protection Agency Victims Compensation Fund
- d) To facilitate and promote Inter-Agency collaboration
- e) To develop international and regional collaboration mechanisms



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LIST OF ABBREVIATIONS

AG:	Attorney General
ASK:	Agricultural Society of Kenya
CJ:	Chief Justice
CJS:	Criminal Justice Systems
CSN:	Civil Society Network
DCI:	Directorate of Criminal Investigations
EACC:	Ethics and Anti-Corruption Commission
FY:	Financial Year
GOK:	Government of Kenya
ICAP:	International Crime in Africa Programme
IAS:	International Accounting Standard
ISS:	Institute for Security Studies
ICC:	International Criminal Court
ICT:	Information Communication and Technology
ICJ-K:	International Commission of Jurists, Kenya
IEC:	Information, Education and Communication
IJM:	International Justice Mission
IMLU:	Independent Medico-Legal Unit
IWPA:	Israel Witness Protection Authority
KNCHR:	Kenya National Commission on Human Rights
MOU:	Memorandum of Understanding
MTEF:	Medium Term Expenditure Framework
NCLR:	National Council for Law Reporting
NIS:	National Intelligence Service
PEV:	Post Election Violence
SCAC:	State Corporation Advisory Committee
SLO:	State Law Office
SOPs:	Standard Operating Procedures
SRC:	Salaries and Remuneration Commission
TJRC:	Truth Justice and Reconciliation Commission
TOR:	Terms of Reference
OAG:	Office of the Attorney General
ODPP:	Office of the Director of Public Prosecutions
OWP:	Office for Witness Protection
OHCHR:	Office of the High Commissioner for Human Rights
UNHR:	United Nations Human Rights
UNODC:	United Nations Office on Drugs and Crime
UNDP:	United Nation Development Programme
UPS:	Uninterrupted Power Supply
WPA:	Witness Protection Agency
WPAB:	Witness Protection Advisory Board
WPP:	Witness Protection Programme



MESSAGE FROM THE CHAIRMAN

It gives me great pleasure to write this report on the activities and operations of the Witness Protection Agency for the financial year 2012/2013. The period 2012/2013 was a critical year for the completion of the setting up and operationalization of the Agency.

It is important to note that a well-functioning Witness Protection Programme in Kenya is integral to successful investigation and prosecution of serious crimes. It ensures that threatened and intimidated witnesses are protected in order to appear in court to testify without fear and intimidation. It is a tool that ensures that the culture of corruption, organized crimes, piracy and impunity, among other vices, are eliminated by getting sufficient evidence from those who may be the only persons with direct evidence to successfully prosecute cases.

The setting up of a Witness Protection Agency was therefore part of a holistic reform programme of Criminal Justice in Kenya.

As a country, we all have witnessed the emergence of new forms of organized and complex crimes like terrorism, piracy, cybercrimes, corruption, drug trafficking, money-laundering, sexual and gender based violence, human trafficking, election offences to name but a few. Perpetrators of these serious and heinous crimes are hard to prosecute as there is hardly any person willing to testify for fear of reprisal including danger and the threat to life.

The State has a duty of care to its citizenry to ensure that the experience of testifying does not result in further harm, or suffering trauma by witnesses who appear in court to testify.

Through the Witness Protection Program, the Government acknowledges the need for security to witnesses as a basic human right and thereby strengthening the criminal justice system, the rule of law and good governance in Kenya.

When witnesses fail to testify due to intimidation, the accused persons are acquitted causing the public at large to lose trust in the criminal justice system. This in turn undermines the rule of law, creates an environment where lawlessness, insecurity, corruption thrive. The role of the Agency is to address this impunity by providing a specialized security service to the criminal justice sector by securing the evidence needed for proper prosecution of criminal matters.

During the period under review, the Agency in collaboration with the Kenya Law Reform Commission reviewed the Witness Protection Act and related laws and proposed amendments to the Witness Protection Act in order to conform with the Constitution and other upcoming laws. The Agency has prepared a draft Witness Protection (amendment) Bill 2013 which is awaiting stakeholders consultation, critique and input.

The Agency, in collaboration with the International Commission of Jurists – Kenya, initiated the process of development of Rules of Court under Section 36(2) of the Witness Protection Act by engaging a consultant who conducted a baseline survey in three judicial stations in Nairobi, Mombasa and Eldoret. The Consultant has developed a comprehensive report with clear recommendations on the development of the Rules of Court and the Agency will use the report to prepare the Rules of Court under Section 36(2) of Witness Protection Act.

It was also during the period under review that the First WPA 2011-2013 Strategic Plan lapsed and the Agency initiated and completed the development of Second Strategic Plan (2013-2018). Coming at a time when public awareness about witness protection in Kenya is gaining considerable publicity due to the ongoing sensitization programmes, the release of the Truth Justice and Reconciliation



Commission's Report and the efforts by The Judiciary to set up the International Crimes Division among other developments, this second WPA Strategic Plan 2013-2018 builds on the successes and lessons learnt during the past two years while providing a strategic framework to enhance the capability, awareness and effectiveness of the WPA for the next five years.

This Second Strategic Plan, therefore, offers a strategic direction to the Agency for its operations by spelling out how resources should be utilized in the most effective and efficient ways to realize the Agency's Vision, Mission and Mandate.

This was also the first year under which the Agency received its funding directly from The National Treasury, unlike the previous years where the same was being channeled through the State Law Office (Currently Office of the Attorney General). For the period under review, the Agency received Kshs 196.5 million as compared to Kshs 285 million for 2011/2012 financial year, a reduction of 31%. This is against an increase in expenditure to Kshs 202.5 million from Kshs 163 million, an increase of 24% from the previous year impacting on the performance of the Agency. There is therefore need for additional funding of the activities and operations of the Agency.

The 2013 General Election resulted into changes in the Advisory Board and in the number of Advisory Board meetings held during the period under review. Despite this, The Advisory Board was able to provide all necessary advice and support to the Agency in execution of its mandate. A number of policies developed by the Agency were approved by the Advisory Board in addition to the general oversight of the activities of the Agency. The Agency is now operational and continues to receive and process applications into the Witness Protection Programme.

On behalf of the Advisory Board and on my own behalf, I take this opportunity to extend our immense gratitude to our stakeholders who contributed to the success of the Agency's activities and operations during the year. It is through their support and collaborative efforts that we will realize our vision, "*To be the leading witness protection Agency in the world*".

Prof. Githu Muigai, EGH, SC
ATTORNEY GENERAL AND
CHAIRMAN, WITNESS PROTECTION ADVISORY BOARD



MESSAGE FROM THE DIRECTOR/CHIEF EXECUTIVE

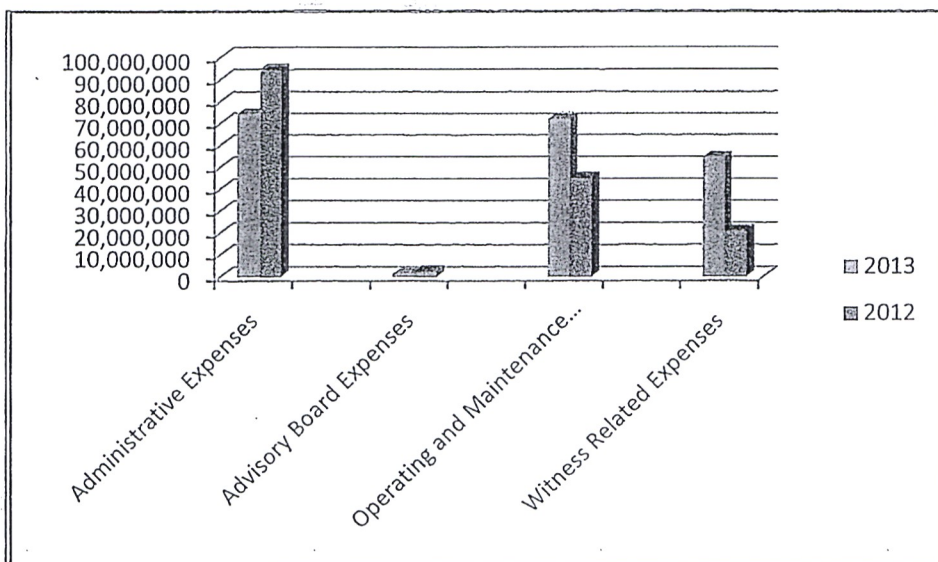
It is my pleasure to submit this second Report of the Witness Protection Agency (WPA). The report aims at providing an update on the progress and achievements the WPA has made towards realizing its objective and purpose during the financial year 2012/2013.

Given its mandate of providing the framework and procedures for giving special protection, on behalf of the State, to persons in possession of important information and who are facing potential risk or intimidation due to their co-operation with prosecution and other law enforcement agencies, the Agency through its Witness Protection Programme has played a key role in offering security to witnesses as a basic human right thereby addressing one of the key issues threatening the current economic environment namely, rule of law or the absence thereof. This is in line with the current constitutional dispensation and the National Development Agenda Vision 2030.

The period under review marked the first anniversary since the Director and Senior Management were appointed into office. It also marked the first year of operations since the Agency was directly funded by The National Treasury.

During the year, the Agency was appropriated Kshs196,523,378 by Parliament as compared to Kshs285,000,000 for 2011/2012. The National Treasury however, released Kshs196,500,000 to the Agency in form of exchequers. The reduction of 31% significantly affected the overall financial performance of the Agency as shown in the financial statements.

The Agency's expenditure during the period increased to Kshs202,540,034 (2012/2013) from Kshs162,951,595 (2011/2012), an increase of 24%. This is an indication of the increased activities and operations of the Agency during the period. The highlights of these expenditures include the increase of witness expenses to Kshs54,622,546 from Kshs21,089,225 in 2011/2012, an increase of 159%. This is an indication that the operations of the Agency have more than doubled and hence the need for more funding. The operating and maintenance expenses increased to Kshs71,989,996 as compared to Kshs45,034,573 (2011/2012), an increase of 60%. The comparison of the expenses is illustrated in the graph below.





During the period under review, the Agency staff increased from 20 in 2011/2012 to 31 as in 2012/2013. The approved organisation structure of the Agency provides for 267 employees of whom 31 were in post during the period under review. The Agency, with the support of the lean staff, was able to accomplish significant achievements during the period under review. The reduction in administrative expenses to Kshs72,065,547 from Kshs94,479,367 (2011/2012) during the period under review was a result of downward review by the Salaries and Remuneration Commission (SRC) of the Agency's salaries that had been approved by the State Corporation Advisory Committee (SCAC). This action by the SRC also impacted the recruitment process as employees who had been offered jobs with the SCAC salaries declined the reviewed salaries and the Agency had to re-advertise to fill the vacant positions.

During the period under review, the Agency developed the WPA 2013-2018 Strategic Plan which will henceforth guide all activities and operations at the Agency and this marked yet another step on the journey to transform WPA into a focused, efficient, and effective Agency in witness protection in Africa and beyond. The five year Strategic Plan aims at finalizing the operationalization of the Agency and aligning the strategic management cycle of the Agency with best practices in witness protection.

The last twelve months saw the Management and Staff of the Agency make remarkable achievements and contributions to the attainment of the Agency's mandate. During the period, the Agency received a total of 69 new applications into the witness protection programme out of which, 19 applications were processed for admission, 25 applications were closed after appropriate intervention and advice and 25 applications are still open at various stages of processing. This is beside the 30 applications that were carried forward from the previous year (2011 - 2012); of which 3 applications were closed after appropriate advice and intervention, 16 applications are still open at various stages of processing and 11 applications were processed for admission. In total, the Agency had 27 witnesses under the WPP and 110 related persons, 12 witnesses successfully testified under WPP. In addition, the Agency facilitated over 18 witnesses to testify at the Commission of Inquiry into the Tana Delta clashes.

During the year under review, the Agency initiated 11 new inter-agency cooperation and collaboration mechanisms in addition to the 29 already existing with identified stake holders for purposes of furthering the objective and mandate of the Agency. In particular, collaboration and cooperation mechanisms were initiated with National Council on the Administration of Justice, Commission on Administrative Justice, National Police Service, Ethics and Anti-Corruption Commission, Independent Policing Oversight Authority, Kenyatta National Hospital, Judicial Training Institute, Mama Lucy Hospital, Safaricom and Prisons and After Care.

One of the key achievements under inter-agency collaboration was the admission of Kenya's Witness protection Agency into the European Police Organization (EUROPOL) network of witness protection. The Agency also initiated training collaboration with Israel Witness Protection Authority (IWPA).

Within the 12 months of 2012/2013 financial year, the Agency conducted four public awareness workshops where over 250 officers from National Police Service, the Office of the Director of Public Prosecutions, the Prisons Services, the Directorate of Criminal Investigations Department were sensitized on Witness Protection Act, 2006 and the Regulations. The Agency through the development and dissemination of public education materials and stakeholder workshops participated in 7 DCI Trainings, 3 ASK Shows, SRC, NCLR, GJLOS-MTEF, KNCHR-CSN, Samburu and Heads of Mission).

During the period under review, the Agency carried out an independent customer satisfaction baseline survey and obtained 80% satisfaction level which was very commendable given that this was the first assessment being done. A similar employee satisfaction survey conducted indicated that



employees at WPA are happy, confident and committed to working for the Agency. Indeed, employees have unequivocally endorsed not only the vision and mission of the organization, but also its core values. It is also indicated that the leadership at WPA has gone out of its way in ensuring all systems work for the individual happiness of employees but indeed for the overall achievement of the goals and objectives of the organization. These were very good results which the Agency needs to build on in their service delivery.

During the year, the Agency acquired a Toll Free line as a service delivery innovation and a way of revolutionizing service delivery in terms of enhancing efficiency, timeliness, quality, flexibility, accessibility, affordability, capacity and convenience by having informal and seamless citizen referencing of witness to by-pass bureaucracies. Customers can call the Agency and inquire on our services without any charges.

The Agency undertook tree planting at Nairobi National Park as part of implementing environmental awareness creation programmes, mitigating against water, air, noise, and other forms of pollution and promotion of environmental protection and conservation through partnerships with stakeholders.

The Agency also developed a draft ICT Policy, established a local area network (LAN), developed the Agency's Website and E-Mail system and procured additional computers, UPS's and printers. These have led to more effectiveness in service delivery.

The Agency commends the Advisory Board for their personal commitment to the mandate of the Agency as demonstrated by their personal participation and timely advisory role as and when required by the Agency.

In addition, the Agency has enjoyed and continues to enjoy the support of stakeholders who include The National Treasury, Parliament, development partners, members of the National Council on the Administration of Justice, civil society and Kenyans at large.

The period under review was not without challenges. The reduction of the funding affected both human and financial ability of the Agency to deliver on its key objectives. The lean staff limited our capacity to fulfill the mandate of the Agency. In addition, reference of the salaries and remunerative allowances for WPA staff to the Salaries and Remuneration Commission for advice and review affected negatively the attainment of the strategic objectives of the Agency in terms of recruitment of permanent staff and offering of protection services hence limiting our absorption capacity. However, with the support from our partners particularly UNODC, IWPA, ISS-South Africa, the Agency has received technical support in the operationalization and training of staff on witness protection.

We recognize the contribution of the staff of WPA who worked extremely hard despite the challenges to ensure the Agency achieved its objectives during the period under review in addition to ensuring that this report is prepared and compiled on schedule.

The Agency is committed to effective and efficient discharge of its mandate of ensuring that threatened and intimidated witnesses are protected and facilitated to give evidence in Court.

Thank You.

Alice Ondieki (Mrs.)
DIRECTOR/CHIEF EXECUTIVE



CORPORATE INFORMATION FOR THE YEAR ENDED 30TH JUNE 2013

The members of the Advisory Board who served during the year are shown below:

Advisory Board	<p>Prof. Githu Muigai Maj. Gen. Michael Gichangi Isaiah Osugo Keriako Tobiko Matthew Iteere Dr. Samuel Tororei Hon. Eugene Wamalwa Dr. Oburu Oginga Anne Ngugi Henry Rotich David Kimaiyo</p>	<p>Chairperson from 27th August 2011 Member from 24th June 2010 Member from 24th June 2010 Member from 24th June 2010 Member up to 24th December 2012 Member up to 30th November 2012 Member up to 4th March 2013 Member up to 4th March 2013 Member from 27th March 2013 Member from 22nd May 2013 Member from 10th January 2013</p>
Director/Chief Executive	<p>Alice Ondieki (Mrs.) P.O. Box 28801 -00100 Nairobi, Kenya.</p>	<p>Secretary to the Advisory Board</p>
Principal Place of Business	<p>Milimani Law Courts 4th Floor, Room 413 P.O. Box 28801 - 00100 Nairobi, Kenya.</p>	
Auditors	<p>Auditor General Kenya National Audit Office Anniversary Towers P.O. Box 30084 - 00100 Nairobi, Kenya.</p>	
Principal Bankers	<ol style="list-style-type: none"> 1. Kenya Commercial Bank Moi Avenue Branch, Nairobi 2. Central Bank of Kenya Haile Selassie Avenue Nairobi 	



REPORT OF THE DIRECTOR/CHIEF EXECUTIVE

The Director presents the report together with the audited financial statements for the year ended 30th June 2013, which disclose the state of affairs of the Agency.

Incorporation

The Agency is a statutory body established under the Witness Protection Act, Cap 79 of the Laws of Kenya, and is domiciled in Kenya.

Principal Activities

The mandate of the Agency is derived from Section 3B(1), of the Witness Protection Act Cap 79 Laws of Kenya is to provide the framework and procedures for giving special protection on behalf of the State, to persons in possession of important information and who are facing potential risk or intimidation due to their cooperation with prosecution and other law enforcement agencies.

Results for the Year

The results of the year are set out on page 13.

Advisory Board

The members of the Advisory Board who held office during the year are set out on page 9.

Auditors

The Auditor of the Agency for the year ended is the Auditor General in line with the Public Audit Act, 2003 and the Witness Protection Act, 2006. The Auditor of the Agency continues to be the Auditor General.

On Behalf of the Agency

Alice Ondieki (Mrs.)
DIRECTOR/CHIEF EXECUTIVE

Nairobi, 12 February 2014



STATEMENT OF AGENCY'S RESPONSIBILITIES

The Witness Protection Act requires the Agency to cause to be prepared financial statements for each financial year that give a true and fair view of the state of affairs of the Agency as at the end of the financial year and of its operating results for that year. The Agency is also responsible for keeping proper accounting records, which disclose, with reasonable accuracy, the financial position of the Agency in addition to safeguarding the assets of the Agency.

The Agency accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Public Finance Management Act and the requirements of the Public Audit Act, 2003. The Agency is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Agency as at 30th June 2013 and of its financial performance for the year then ended. The Agency further accepts responsibility for the attached accounts, which have been prepared in conformity with Treasury directions and appropriate Government Financial Regulations and Procedures.

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

Signed on behalf of the Agency by:

Alice Ondieki (Mrs.)
DIRECTOR/CHIEF EXECUTIVE

Nairobi, 12 February 2014



STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	Note	2013 KShs	2012 KShs
Non-current Assets			
Property, Plant and Equipment	2	<u>59,878,983</u>	<u>49,027,291</u>
		59,878,983	49,027,291
Current Assets			
Trade and other Receivables	3	33,369,685	15,063,967
Cash at Bank and in Hand	4	<u>60,715,136</u>	<u>91,674,551</u>
		94,084,821	106,738,518
TOTAL ASSETS		<u>153,963,804</u>	<u>155,765,809</u>
Equity and Liabilities			
Financed By:			
Capital Employed		32,332,350	32,332,350
Retained Earnings		<u>27,546,633</u>	<u>122,758,459</u>
		59,878,983	155,090,809
Non-Current Liabilities			
Deferred Grant	5	89,198,026	-
Current Liabilities			
Trade and other payables	6	<u>4,886,795</u>	<u>675,000</u>
TOTAL EQUITY AND LIABILITIES		<u>153,963,804</u>	<u>155,765,809</u>

The financial statements on pages 12 to 21 were approved on 12th February 2014 and were signed on behalf of the Agency by:

Alice Ondieki (Mrs.)
DIRECTOR/CHIEF EXECUTIVE

K. A. Tanui
DEPUTY DIRECTOR CORPORATE AFFAIRS



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2013

REVENUE	Note	2013 Kshs	2012 Kshs
Government of Kenya - Exchequer (Net)	7	213,365,493	285,000,000
Other Income	8	195,833	710,054
Total Revenue		<u>213,561,326</u>	<u>285,710,054</u>
EXPENDITURE			
Administrative Expenses	9	72,065,347	94,479,367
Advisory Board Expenses	10	1,408,800	2,348,430
Operating and Maintenance Expenses	11	76,802,675	45,034,573
Witness Related Expenses	12	51,620,811	21,089,225
Total Expenditure		<u>201,897,633</u>	<u>162,951,595</u>
(Deficit)/Surplus for the Year	13	<u>11,663,693</u>	<u>122,758,459</u>



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2013

	Capital Employed	Retained Earnings KShs	Total KShs
At 1st July 2011	-	-	-
Balance b/f	32,332,350		32,332,350
Surplus/(Deficit) for the year		122,758,459	122,758,459
At 1st July 2012	32,332,350	122,758,459	155,090,809
Prior Period Adjustment		(106,875,519)	(106,875,519)
Restated Balance	32,332,350	15,882,940	48,215,290
Surplus/(Deficit) for the year		11,663,693	11,663,693
At 30th June 2013	<u>32,332,350</u>	<u>27,546,633</u>	<u>59,878,983</u>

NB.

- a) The Capital Employed represents capital transfer of inventory, plant and equipment from the Office of the Attorney General (State Law Office).
- b) In the FY 2011/12, the Agency received grants amounting to Ksh 285 Million which was recognized in full as income in the year. However, part of these grants was un-utilized by the end of the year. The balance of the grants that could not be matched with the expenses should have been deferred in line with IAS 20. This has now been corrected by re-stating the retained earnings with deferred grants in the statement of changes in equity in line with IAS 8 as follows;

Cash and Cash Equivalents Ending	91,674,551
Trade and Other Receivables	15,063,968
Trade and Other Payables	<u>(675,000)</u>
Deferred Grants C/F	<u>106,063,519</u>

- c) Audit fee of Ksh 812,000 was paid in the FY 2012/2013 which related to the year 2012 but not accrued for. This has been adjusted in the Statement of changes equity. Therefore, the figure of prior period adjustments of Ksh 106,875,519 comprises of deferred income of Ksh 106,063,519 and audit fee of Ksh 812,000.



STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2013

	Note	2013 KShs	2012 KShs
Cash flows from operating activities			
Surplus for the Year		11,663,693	122,758,459
Adjustments for:			
Depreciation on property, plant and equipment	2	19,129,089	14,071,445
Operating Surplus before working capital changes		30,792,782	136,017,904
Decrease / (increase) in:			
Trade and other receivables	3	(18,305,717)	(15,063,968)
Increase / (decrease) in:			
Trade and other payables	6	3,399,795	675,000
Cash generated from operations		<u>15,886,860</u>	<u>122,440,936</u>
Net cash generated from operating activities		<u>15,886,860</u>	<u>122,440,936</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment	2	(29,980,782)	(63,098,736)
Net cash (used in) investing activities		<u>(29,980,782)</u>	<u>(63,098,736)</u>
Cash flows from financing activities			
From State Law Office – Capital employed		0	32,332,350
From Deferred Income	5	(16,865,493)	-
Net cash generated from financing activities		<u>(16,865,493)</u>	<u>32,332,350</u>
Net (decrease) in cash and cash equivalents		(30,959,415)	91,674,550
Cash and cash equivalents at 1st July 2012		<u>91,674,551</u>	-
Cash and cash equivalents at 30th June 2013	4	<u>60,715,136</u>	<u>91,674,550</u>



NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards under the historical cost convention, and are presented in the functional currency, Kenya Shillings (Kshs).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the accounting policies adopted by the Agency. Although such estimates and assumptions are based on the Agency's best knowledge of the information available, actual results may differ from those estimates.

b) Revenue recognition

The revenue constitutes all funds accruing to the Agency in form of releases from the Ministry, Exchequer, Development partners and other income arising from sale of tenders. Grants have been recognized in line with International Accounting Standard (IAS) 20 (Accounting for Government Grants and Disclosure of Government Assistance). The Agency has adopted the Income Approach method whereby Government grants are recognized in the profit and loss on a systematic basis in which the Agency recognizes as expense the related costs for which the grant is intended to compensate. All other grants are deferred and recognized in the period in which the expenses are incurred.

c) Property, Plant and Equipment

All categories of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis and the depreciable amount charged to income over its estimated useful life using the following annual rates.

	<u>Rate - %</u>
Computers, copiers & faxes	33.33
Motor vehicles	25
Furniture & fittings	12.5
Office Equipment	12.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

c) Property, Plant and Equipment (continued)

All categories of property, plant and equipment are initially recorded at cost. Subsequent costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

d) Intangible assets

Software license costs are stated at historical cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight line method to write down the cost of the software to its residual value over the estimated useful life using an annual rate of 33 1/3%.

e) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in first-out method. Cost comprises the cost of purchase and all other costs attributed to bring the goods to that particular condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

f) Retirement Benefits Obligation

The Agency and the employees contribute to the WPA Staff Retirement Benefits Scheme, a contributory scheme established in July 2012, and the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the Agency's contributions are charged to the statement of comprehensive income in the year to which they relate. The staff contributes 7.5% of their basic salary and the employer 15% of the basic salary. Gratuity for staff on contract is accrued in the year earned.

g) Taxation

The Agency, being a non-trading entity is not subject to taxation. No tax is therefore provided in these accounts.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

h) Receivables

Receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

A provision for impairment is recognized in the profit and loss account in the year when recovery of the amount due as per the original terms is considered doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectable are written off against the related provisions. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, term and call deposits with banking institutions and other short-term highly liquid investments in money market instruments with maturities of three months or less from the date of acquisition net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

j) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

k) Reporting Currency

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Property, Plant and Equipment

	Motor vehicles	Furniture & Fittings	Equipments	Computers, Copiers & Faxes	Security Equipments	Total
Rate	Shs 25%	Shs 12.50%	Shs 12.50%	Shs 33.33%	Shs 12.50%	Shs
<u>Cost</u>						
As at 1st July 2012	43,877,824	9,190,270	6,673,642	3,356,999	0	63,098,735
Additions	6,018,974	5,506,475	12,405,255	2,676,838	3,373,240	29,980,782
As at 30th June 2013	49,896,798	14,696,745	19,078,897	6,033,837	3,373,240	93,079,517
<u>DEPRECIATION</u>						
As at 1st July 2012	10,969,456	1,148,784	834,205	1,119,000	0	14,071,445
Charge for the year	12,474,200	1,837,093	2,384,862	2,011,279	421,655	19,129,089
As at 30th June 2013	23,443,656	2,985,877	3,219,067	3,130,279	421,655	33,200,534
<u>NET BOOK VALUE</u>						
As at 30th June 2013	26,453,143	11,710,868	15,859,830	2,903,558	2,951,585	59,878,983
As at 1st July 2012	32,908,368	8,041,486	5,839,437	2,237,999	0	49,027,290

NB: The opening carrying values of Plant, Property and Equipment relate to furniture and equipment bought for the Agency by the Office of the Attorney General (State Law Office).

3. Trade and Other Receivables

	2013 Kshs	2012 Kshs
Staff Debtors	2,811,765	1,302,522
Deposits	97,500	9,392,214
Prepayments	30,460,420	4,369,232
Total Trade Debtors and other Receivables	33,369,685	15,063,968

4. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2013 Kshs	2012 Kshs
Cash at Bank -Kenya Commercial Bank	60,420,479	91,112,288
Cash in hand	294,657	562,263
Cash and Cash Equivalents	60,715,136	91,674,551



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Deferred Grants

	2013	2012
	KShs	KShs
Cash and Cash Equivalents Ending	60,715,136	-
Trade and Other Receivables	33,369,685	-
Trade and Other Payables	(4,886,795)	-
Deferred Grants C/F	<u>89,198,026</u>	<u>-</u>

NB. Deferred Grants represents incomes that cannot be matched to expenses within the financial year. This has been recognized in-line with IAS 20 by adopting the income approach method.

6. Trade and Other Payables

	2013	2012
	Kshs	Kshs
Other payables	4,886,795	675,000

7. Government of Kenya Grants (GOK) (Net)

Voted Grant per Printed Estimates	196,523,378	235,000,000
Exchequers not Released by National Treasury	(23,378)	-
Transfer from State Law Office	-	50,000,000
Deferred Grants B/F	106,063,519	-
Deferred Grants C/F	(89,198,026)	-
Net Grants Recognized	<u>213,365,493</u>	<u>285,000,000</u>

NB. In the FY 2011/12, the Agency carried forward grants of Ksh 106,063,519 which have been adjusted for in the Statement of Changes in Equity by re-stating the retained earnings in-line with IAS 8. Grants are recognized in-line with IAS 20, whereby only grants that can be matched with expenses are recognized and the balance deferred to future periods.

8. Other Incomes

Sale of Tender	190,000	710,054
Interest Income	5,833	0
Total Other Incomes	<u>195,833</u>	<u>710,054</u>

Other income relates to an amount received from sale of tender documents and interest charged on salary advances to the staff members.

9. Administrative Expense

Salaries and Allowances	49,197,409	94,438,473
Pension Scheme	7,721,482	800
Insurance costs	5,802,807	40,094
Training Expenses	9,343,649	0
Total Administrative Costs	<u>72,065,347</u>	<u>94,479,367</u>

NB. Included in salary and allowances is a figure of Ksh 3,058,800 relating to the Director's gratuity earned in the year but payable at the end of the contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2013

2012

Kshs

Kshs

10. Advisory Board Expenses

Advisory Board Members Allowances & Honoraria

1,408,800

2,348,430

11. Operating and Maintenance Expenses

Hospitality Services (Catering & Committees)

9,679,174

4,411,148

Communication Supplies and Services

9,958,751

1,770,385

Domestic Travel, Subsistence and other Transportation Costs

5,191,685

1,517,459

Foreign Travel, Subsistence and Other Transportation Costs

3,172,511

3,481,609

Printing, Advertising and Information Supplies and Services

4,695,493

2,639,423

Rentals of Produced Assets (Rent, Hire)

5,423,410

5,100,000

Audit Fees

0

0

Specialized Material and supplies

5,698,087

0

Office and General Supplies & Services

6,026,907

1,995,354

Fuel, Oil and Lubricants

1,791,984

853,559

Other Operating Expenses

1,131,590

7,795,648

Maintenance – Vehicles and Other transport Equipment

1,438,745

509,259

Motor Vehicle Insurance

2,738,187

0

Routine Maintenance – Building & Other Assets

0

519,460

Bank Charges and Commission

87,252

30,135

Depreciation

19,129,089

14,071,445

Exchange loss

16,099

0

Utilities

623,712

339,689

Total Operating and Maintenance Expenses

76,802,675

45,034,573

Note:

- a) Included in Communication supplies services are Mobile Phones procured for use by the staff for security purposes. The costs are expensed fully within the financial year.
- b) No provision has been made for audit fee since the Agency is not a parastatal and there is no provision in the itemized printed estimates from the National Treasury. The audit fee for the FY 2011/12 that was paid in FY2012/2013 has been adjusted for in the statement of changes in equity.

12. Witness Related Expenses

Total Witness Related Expenses

51,620,811

21,089,225

13. Deficit/Surplus for the Year

The statement of comprehensive income shows a surplus of Ksh 11,663,693. This surplus is not as a result of profit in operations, but as a result of timing differences in incomes & expenditures, capital expenditures & wear and tear allowances.



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WITNESS PROTECTION AGENCY





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