REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF ORANGE DEMOCRATIC MOVEMENT(ODM)

FOR THE YEAR ENDED 30 JUNE 2018

ODM

TUKO TAYARI

ORANGE DEMOCRATIC MOVEMENT

International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Regulatory and Other Non – Commercial Government Owned Entities
(Semi - Autonomous Government Agencies and Public Funds Established by an Act of Parliament or a Legal Notice)

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES
(ORANGE DEMOCRATIC MOVEMENT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Orange Democratic Movement was formed in 2007 as a political party after meeting the registration requirements under the newly established Registrar of Political Parties office. The National Executive Committee is responsible for the general policy and strategic direction of the Party.

(b) Principal Activities

The organization's principal activity is to strive to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

(c) Key Management

The *Orange Democratic Movement* day-to-day management is under the following key organs:

- Secretary General ;
- Executive Director
- Finance & Administration Director
- Other Directors and Managers
- Accountant

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairman	Hon. John Mbadi
2.	Secretary General	Hon. Edwin Sifuna
3.	Organizing secretary	Hon. Abdikadir Aden
4.	Executive Director	Mr. Oduor Ong'wen
5.	National Treasurer	Hon. Timothy Bosire

(e) Fiduciary Oversight Arrangements

- *Audit and finance committee activities*

The audit committee helps the National Executive Committee with corporate governance. It is a creation of the National Executive Committee of the party. Its membership is comprised of the Treasurer and two deputies, the chairperson of the Finance & Resource Mobilization and the chairperson of the Strategic Planning Committee. The primary role of the audit committee is to assist the National Executive Committee with its corporate governance oversight responsibilities in ensuring that:

- **External Auditing** processes are carried out independently without interference so as to guarantee the integrity of the party's financial statements,

- **Regulatory and Legal** requirements of the government inclusive of the Orange Democratic Movement code of conduct are in total compliance at all levels of the government.
- **Risk management** to assure that the allocation of the party's resources are optimized and conforms to the party's goals and objectives.

However from time to time, the audit committee may be called upon to address specific issues that fall outside of its primary role by the National Executive Committee.

Risk Management Policy

Effective risk management begins with the understanding, by everyone in the organization, that the effort is important, and that everyone is expected to uphold that effort. Orange Democratic Movement is subject to certain risks that affect our ability to operate, serve our clients, and protect assets. These include risks to employees and volunteers, liability to others, and risks to property.

Controlling these risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the party provides the safety of the workplace and other benefits all depend to an extent on our ability to control risks. Management has the ultimate responsibility to control risks. Control includes making decisions regarding which risks are acceptable and how to address those that are not. Those decisions can be made only with the participation of the entire workforce, because each of us understands the risks of his or her own tasks better than anyone else in the organization. Each is responsible for reporting any unsafe conditions they see. Also, each is encouraged to suggest ways in which we can operate more safely.

We are committed to the careful consideration of everyone's suggestions, and to taking appropriate action to address risks. Accidents and other situations involving loss or near-loss will be investigated as part of the effort to manage risks. Every employee's and volunteer's performance is evaluated, in part, according to how he or she complies with this policy.

Purpose

The purpose of this policy is to ensure that risks to Orange Democratic Movement are identified, analyzed, and managed so that they are maintained at acceptable levels. Risks to the confidentiality, integrity, and availability of both party information and assets are considered.

ODM Risk Management Mission Statement

The Orange Democratic Movement has a moral and legal duty to its membership, employees, and to party assets. We continue to meet our duty by ensuring that risk management plays an integral part in sound governance at both a strategic and operational level.

The National Executive Committee of the party will support the risk management efforts through setting policy and providing broad guidance on goals and objectives. However, risk management is an active process that requires cooperation by all directors, employees, and—where appropriate—the larger party membership. To that end, the National Executive Committee accepts that it must take a leadership role in seeing that appropriate measures are undertaken.

ODM Risk Management Goals Statement

The National Executive Committee authorizes the establishment of a Risk Management Committee, which shall consist of Five members, the party treasurer, a member trained on fire and emergency, a member trained on public works management, and two NEC Members (to be selected by the National Executive Committee for five-year terms). The Committee shall be chaired by the party treasurer, and its responsibilities shall be:

- Identifying and assessing risks
- Selecting and implementing risk control and financing measures
- Periodically reviewing risk management efforts and reporting to the National Executive Committee

These activities shall be undertaken in the service of the risk management mission statement, and to that end risk management practices are undertaken to reduce the cost of risk to Orange Democratic Movement and to maximize benefits of opportunities that the membership may encounter.

Effective risk management begins with the understanding, by everyone in the organization, that the effort is important, and that everyone is expected to uphold that effort.

Orange Democratic Movement is subject to certain risks that affect our ability to operate, serve our clients, and protect assets. These include risks to employees and volunteers, liability to others, and risks to property.

Controlling these risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the party provides the safety of the workplace and other benefits all depend to an extent on our ability to control risks.
Management has the ultimate responsibility to control risks. Control includes making decisions regarding which risks are acceptable and how to address those that are not. Those decisions can be made only with the participation of the entire workforce, because each of us understands the risks of his or her own tasks better than anyone else in the organization. Each is responsible for reporting any unsafe conditions they see. Also, each is encouraged to suggest ways in which we can operate more safely. We are committed to the careful consideration of everyone's suggestions, and to taking appropriate action to address risks.

Accidents and other situations involving loss or near-loss will be investigated as part of the effort to manage risks. Every employee's and volunteer's performance will be evaluated, in part, according to how he or she complies with this policy.

This Risk Policy document has received the following review and approvals from ODM Management:

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Orange House
Menelik Road
P.O. Box 42422 - 00100
Nairobi

(g) Entity Contacts

Telephone: (254) 020-2053481
E-mail: info@odm.co.ke
Website: www.odm.co.ke

(h) Entity Bankers

Co-operative Bank
Parliament Road Branch
Nairobi.

(i) Independent Auditors

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

(j) Principal Legal Adviser

Makori & Karimi Advocates
Nellion Place, Block B 1st Floor Suite 2
Rhapta Road, Westlands Nairobi
P.O. Box 45053
City Square 00100
Nairobi, Kenya

NATIONAL EXECUTIVE COMMITTEE MEMBERS

1. Rt. Hon. Raila Amolo Odinga	Party Leader
2. Hon. CPA John Mbadi	Chairman
3. Hon. Edwin Sifuna	Secretary General
4. Hon. Abdikadir Aden	National Organizing Secretary
5. Hon. Timothy Bosire	National Treasurer
6. Mr. Oduor Ong'wen	Executive Director

MANAGEMENT TEAM

1. Hon. Edwin Sifuna	Secretary General
2. Mr. Oduor Ong'wen	Executive Director
3. Joshua Kawino	Director, Finance & Administration
4. CPA Charles Memba	Senior Accountant
5. Anthony Muturi	Parliamentary Liaison & Legal Affairs Officer
6. Rosemary Kariuki	Director, Membership & Recruitment
7. Wafula Buke	Director, Policy & Strategy
8. Philip Etale	Communication Manager
9. Benson Musungu	Youth Co-ordinator

CHAIRMAN'S STATEMENT

I am pleased to present our Annual Financial Report for the year ended 30th June 2018. This year saw the nullification of the Presidential vote after our Party leader who was the NASA candidate successfully petitioned the results of the August 2017 presidential election. It is a period that equally saw our numbers in both the two houses of Parliament, governors and County Assembly members drastically reduced.

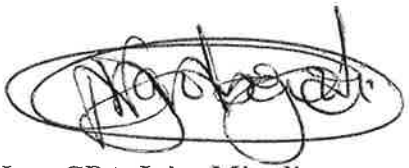
Early in the year we constituted a four member team with research assistants to conduct an election audit. I am informed that the team is currently compiling their report. You are all aware that our Party Leader moved quickly and engaged His Excellency Uhuru Kenyatta to a dialogue that has since given birth to the Building Bridges Initiative with a subsequent donor confidence and jumpstarting our economy which was badly depressed after the elections of last year.

With significant political changes in the country many initiatives are going to play out inside and outside Parliament. What has not changed however is the unique ability of the party to continue to adopt to a volatile environment with unpredictable politics that only goes a long way to confirm our quality and experience.

Our Party remains in a strong financial position as at 30th June, 2018. The long outstanding experience of our Party Leader and the wealth of support he has continued to give is highly regarded. Our National Committee mandated by law to prepare financial statements in respect of Orange Democratic Movement has exhibited a high fiduciary financial management for the last 11 years and is currently the bench mark amongst our supporters and competitors

The year ending 30th June 2018 has been an extremely busy period. We are currently focusing on a more improved performance and cost reduction. The failure by the Government to honour the provision of 0.3% funding to political parties has greatly affected our legitimate expectations of flow of funds into our key electoral and campaign advocacy programs..

We continue to use Membership Pay bill, voluntary contributions; Donations, bequests for various cadre of party membership and receiving grants from legal sources.



Hon. CPA John Mbadi
National Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

We have once again come to the end of a financial year and are pleased to present the financial report for the year ended June 30th 2018 pursuant to the International Public Sector Accounting Standards. Our key responsibilities during the year under review included, but were not limited to:

1. The development of strategies for and realisation of financial resources for the Party;
2. Preparation of books of accounts and ensuring the same are audited;
3. Organising the meetings of all Party organs at the national level, including the National Executive Council, the National Governing Council, the Party Parliamentary Group and the youth, women and disabilities' leagues;
4. Revitalisation and re-energization of county party structures, branches and sub-branches; and
5. Post-general election stewardship.

In compliance with Section 35 of the Public Audit Act 2015 and requirements of the Political Parties' Act 2011, we accomplished the following in time:

(i) Development of a work plan and annual budget for the current financial Year 207-2018 in conformity with the Party's Four-year Strategic Plan; and prepared the report and accounts for the year ended June 30th 2018;

(ii) Ensured the timely preparation of the books of Accounts for the year ended June 30th 2018 and presentation of the same to the Auditor General and further ensuring that relevant income sections of the financial report were extracted and published in the local newspapers [see] in accordance with Section 29(1), which requires of us to, within three months of our financial year, publish the sources of Party funds stating:
   a. The amount of money received from the Political Parties Fund;
   b. The amount of money received from Party members and supporters; and
   c. The amount and sources of donations given to the Party.

(iii) We are further pleased to declare that the accounts were forwarded on September 26, 2018 to the Office of the Auditor General in the IPSAS format.

The key income drivers for the year under review were:

- The disbursements from the Political Party Fund (even though the Treasury continues being in breach of the law that requires that al least 0.3% of the national revenue be appropriated for the Fund) and a public donation campaign launched in September 2018 through Paybill 991444, which netted Sh. 22 Million; and
- Contributions by members, supporters and elected leaders (MCAs, Mps, Governors and deputy governors) as well as Life Membership fees and nomination fees for by-elections.

On the other hand key expenditure drivers were mainly legal fees, administrative costs, travel and bad debts provisions for MCAs and MPs that were not re-elected.

Oduor Ong'wen
EXECUTIVE DIRECTOR

CORPORATE GOVERNANCE STATEMENT

Orange Democratic Movement is committed to operating in accordance with best practice in political integrity and ethics and maintaining the highest standards of financial reporting and corporate governance. The National Executive Committee is delighted to report that the party has, throughout the year, complied with the provisions set out in the Code on Corporate Governance and equally applied the main principles of the Code.

Corporate governance for the Orange Democratic Movement has gone a long way to define how the party conducts its affairs in line with the objects for which it was founded. It has given the party its structure, which contains all set of rules that governs the ethical operating procedures and processes of the party by ensuring that we conform to the Kenyan Statutory requirements and the best practices in line the Political Parties Act 2011 in all political activities. Likewise it has ensured the best interests of the public and party members are jealously protected. Responsibility for corporate governance is vested with the National Executive Committee of the Orange Democratic Movement.

Much of the details are contained in the attached party Constitution which contains the following

- Identity, Vision and Mission — Aims, objectives and Values
- Membership, Rights and Duties — National Officials
- Party Organs — Committees
- Stewardship — Dissolutions
- Coalitions, Dispute Settlement and Amendment
- General Provisions

MANAGEMENT DISCUSSION AND ANALYSIS

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

Our ambition is to gradually but visibly, establishes a prosperous, industrized and modern nation in which citizens enjoy social, economic and democratic rights, and live in dignity. We envisage that our people will exploit their full potential. The sporting concerts and events will ensure that there is a continuous link between the people and the party organs – This program arises from a desire to ensure our contribution to society goes beyond purely political campaigns. Citizens have a duty to interact in a responsible way from a social and environmental perspective. In this context, one of the questions ODM aims to answer is: how do our activities improve living standards in our communities? In addition, it makes political sense in the long-term. When managed well this social responsibility can also facilitate achievement of strategically important goals for the party:

- Involvement in project work that tackles real challenges in our communities is a way through which we can increase **staff engagement**, member's loyalty and **pride.**
- Through collaboration in projects we can improve the **dynamism of relationships** with our members and competitors
- As a consequence of positive outcomes from our Corporate social activity, we can enhance ODM's **reputation** among key stakeholders nationally

REPORT OF THE NATIONAL EXECUTIVE COMMITTEE

The National Executive committee submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Orange Democratic Movement affairs.

Principal activities

The organization's principal activity is to strive to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1-17

Directors

The National Executive Committee Members who served during the year are shown on page (vi)

Auditors

The Auditor General is responsible for the statutory audit of the Orange Democratic Movement in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Orange Democratic Movement for the year/period ended June 30, 2018.

By Order of the National Executive Committee

Hon. Edwin Sifuna
Secretary General
Nairobi
Date: 25-09-2018

STATEMENT OF NATIONAL EXECUTIVE COMMITTEE'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the National Executive Committee to prepare financial statements in respect of that Orange Democratic Movement, which give a true and fair view of the state of affairs of the Orange Democratic Movement at the end of every financial year/period and the operating results of the Orange Democratic Movement for each particular year/period. The National Executive Committee members are also required to ensure that the Orange Democratic Movement keeps proper accounting records which disclose with reasonable accuracy the financial position of the Orange Democratic Movement. The National Executive Committee members are also responsible for safeguarding the assets of the Orange Democratic Movement.

The National Executive Committee members are responsible for the preparation and presentation of Orange Democratic Movement financial statements, which give a true and fair view of the state of affairs of the Orange Democratic Movement for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Orange Democratic Movement; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The National Executive Committee members accept responsibility for Orange Democratic Movement 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–). The National Executive Committee members are of the opinion that Orange Democratic Movement financial statements give a true and fair view of the state of Orange Democratic Movement transactions during the financial year ended June 30, 2018, and of Orange Democratic Movement financial position as at that date. National Executive Committee further confirm the completeness of the accounting records maintained for the Orange Democratic Movement, which have been relied upon in the preparation of Orange Democratic Movement financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Orange Democratic Movement will not remain solvent for at least the next twelve months from the date of this statement.

Approval of the financial statements

Orange Democratic Movement financial statements were approved by National Executive Committee on 25-09-2018 and signed on its behalf by:

Secretary General | National Chairman | National Treasurer

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ORANGE DEMOCRATIC MOVEMENT (ODM) FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Orange Democratic Movement (ODM) set out on pages 1 to 29, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the 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 Orange Democratic Movement as at 30 June, 2018, 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 Political Parties Act, 2011(Revised 2016).

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Orange Democratic Movement in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

Emphasis of Matter

1.0 Budget and Budgetary Performance

1.1 Revenue

The ODM party had budgeted for revenue totalling Kshs.1,410,666,889 but actual realized amounted to Kshs.160,955,299 resulting to a shortfall of Kshs.1,249,711,590 or 89% as tabulated below:

Revenue	Budget Kshs.	Actual Kshs.	Shortfall Kshs.	Variance %
Government Grants and Subsidies	1,240,244,327	112,255,637	1,127,988,690	91
Public contributions and donations	161,422,562	46,467,772	114,954,790	71
Other income	9,000,000	2,231,890	6,768,110	75
Total	**1,410,666,889**	**160,955,299**	**1,249,711,590**	**89**

The shortfall was largely attributed to failure to receive the expected Government funding from the registrar of political parties estimated at Kshs.1,240,244,327 (being 0.3% national revenue apportioned with reference to total number of votes secured by each political party) but actual receipts amounted to Kshs.112,255,637.

1.2 Expenditure

The party had budgeted to spend Kshs.1,410,666,889 but actual expenditure amounted to Kshs.154,327,918 resulting to an under expenditure of Kshs.1,256,338,971 or 89% as follows:

Payments	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Compensation of employees	52,500,000	46,232,769	(6,267,231)	12
Depreciation	1,700,000	1,666,598	(33,402)	2
Finance costs	300,000	493,141	193,141	64
Capex costs	947,906,237	1,856,644	(946,049,593)	100
Rent Paid	2,400,000	1,680,000	(720,000)	30
Repairs	800,000	103,580	(696,420)	87
Other Payments	405,060,652	102,295,186	(302,765,466)	75
Total	**1,410,666,889**	**154,327,918**	**(1,256,338,971)**	**89**

The under expenditure of Kshs.1,256,338,971 was attributed to failure to receive the budgeted government grants hence some of the parties planned goals and objectives such as establishment of at least twenty four (24) county offices across the country were not carried out as required by the political parties Act.

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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing ODM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Governing Council either intends to liquidate ODM or to cease operations, or have no realistic alternative but to do so

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 ODM's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ODM's ability to continue as a going concern or 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 ODM to cease to continue as a going concern or to sustain its services.

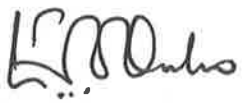
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of ODM to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

19 June 2019

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018 Kshs	2016-2017 Kshs
Revenue from non-exchange transactions			
Property taxes revenue		-	-
Public contributions and donations	3	46,467,772	35,308,205
Fines, penalties and levies		-	-
Transfers from other governments – gifts and services-in-kind	4	112,255,637	131,233,622
		158,723,409	**166,541,827**
Revenue from exchange transactions			
Rendering of services		-	-
Sale of water and electricity		-	-
Rental revenue from facilities and equipment		-	-
Finance income - external investments		-	-
Agency fees		-	-
Other income	5	2,231,890	267,635,500
Total revenue		**160,955,299**	**434,177,327**
Expenses			
Use of goods and services		-	-
Employee costs	6	46,232,769	45,009,014
Remuneration of directors		-	-
Depreciation and amortization expense	7	1,666,598	2,000,407
Repairs and maintenance	8	103,580	473,185
General expenses	9	104,151,830	403,378,583
Finance costs	10	493,141	673,871
Rent Paid		1,680,000	1,680,000
Contracted services		-	-
Grants and subsidies paid	17	-	6,800,000
Total expenses		**154,327,918**	**460,015,060**
Other gains/(losses)			
Gain on sale of assets		-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments		-	-
Impairment loss		-	-
Surplus before tax		**6,627,381**	**(25,837,734)**
Taxation		-	-
Surplus/(deficit) for the period/year		-	-
Remission to National Treasury		-	-
Net Surplus for the year		**6,627,381**	**(25,837,734)**
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		6,627,381	**(25,837,734)**

The notes set out on this page upto page 17 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2017-2018 Kshs	2016-2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	11	11,050,450	(7,336,156)
Receivables from exchange transactions	12	98,016,793	114,364,261
Receivables from non-exchange transactions		-	-
Current portion of long-term receivables from exchange transactions		-	-
Inventories	13	8,039,888	8,039,888
Investments		-	-
		117,107,131	**115,067,993**
Non-current assets			
Property, plant and equipment		7,698,913	7,508,868
Investments		-	-
Intangible assets		-	-
Investment property		-	-
Long term receivables from exchange transactions		-	-
		7,698,913	7,508,868
Total assets		**124,806,044**	**122,576,861**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	5,365,770	9,763,968
Refundable deposits from customers		-	-
Provisions		-	-
Finance lease obligation		-	-
Current portion of borrowings		-	-
Deferred income		-	-
Employee benefit obligation		-	-
Payments received in advance		-	-
Taxation		-	-
		5,365,770	**9,763,968**
Non-current liabilities			
Non-current employee benefit obligation		-	-
Non-current provisions		-	-
Borrowings		-	-
Service concession liability		-	-
Deferred tax liabilities		-	-
		-	-
Total liabilities		**5,365,770**	**9,763,968**
Net assets		**119,440,274**	**112,812,894**
Reserves		2,356,176	2,356,176
Accumulated surplus		117,084,100	110,456,719
Capital Fund		-	-
Total net assets and liabilities		**119,440,274**	**225,625,789**

The Financial Statements set out on these pages were signed on behalf of the National Executive Committee by:

Executive Director
Oduor Ong'wen

National Treasurer
Hon. Timothy Bosire

Secretary General
Hon. Edwin Sifuna

Date: 25/09/2018

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to the owners of the controlling entity					
	Reserves					
	Self insurance reserve	Capital replacement development reserve	Housing reserve	Accumulated surplus	Net Surplus/ Deficit	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2012	-	2,356,176	-	(3,638,482)	15,026,458	**13,744,152**
Surplus/(deficit) for the period	-	-	-	-	(5,008,049)	**(5,008,049)**
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2013	-	**2,356,176**	-	**(3,638,482)**	**10,018,409**	**8,736,103**
Surplus for the period	-	-	-	-	8,029,290	**8,029,290**
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2014	-	**2,356,176**	-	**(3,638,482)**	**18,047,699**	**16,765,393**
Surplus for the period	-	-	-	-	4,172,309	**4,172,309**
Transfers to/from accumulated surplus	-	-	-	-	830,442	**830,442**
Balance as at 30 JUNE 2015	-	2,356,176	-	**(3,638,482)**	23,050,450	**21,768,144**
Surplus for the period	-	-	-	-	116,882,485	**116,882,485**
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2016		**2,356,176**		**(3,638,482)**	**139,932,935**	138,650,629
Surplus for the period	-	-	-	-	(25,837,734)	(25,837,734)
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2017		**2,356,176**		**(3,638,482)**	**114,095,201**	112,812,895
Surplus for the period	-	-	-	-	6,627,381	6,627,381
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2018		**2,356,176**		**(3,638,482)**	**120,722,582**	119,440,276

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Property taxes		-	-
Public contributions and donations	3	46,467,772	35,308,205
Fines, penalties and levies		-	-
Licenses and permits		-	-
Government grants and subsidies	4	112,255,637	131,233,622
Rendering of services		-	-
Sale of goods		-	-
Finance income		-	-
Other income, rentals and agency fees	5	2,231,890	267,635,500
Total Receipts		**160,955,298**	**434,177,327**
Payments			
Compensation of employees	6	46,232,769	45,009,014
Goods and services		-	-
Rent paid		1,680,000	1,680,000
Depreciation	7	1,666,598	2,000,407
Taxation paid		-	-
Repairs and maintaince	8	103,580	473,185
Other payments	9	104,151,830	403,378,583
Finance cost	10	493,141	673,871
Grants and subsidies paid	17	-	6,800,000
Total Payments		**154,327,918**	**460,015,060**
Net cash flows from operating activities		**6,627,380**	**(25,837,734)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(1,856,644)	(1,231,720)
Proceeds from sale of property, plant and Equipment		-	-
Decrease in non-current receivables		16,347,468	21,807,579
Increase in investments		1,666,598	2,000,407
Net cash flows used in investing activities		**22,784,802**	**(3,261,468)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings(Trade Payables)		(4,398,198)	(4,285,938)
Increase in deposits		-	-
Net cash flows used in financing activities		(4,398,198)	(4,285,938)
Net increase/(decrease) in cash and cash equivalents			
		18,386,604	**(7,547,403)**
Cash and cash equivalents at 1 JULY 2017		(7,336,156)	211,246
Cash and cash equivalents at 30 JUNE 2018	11	**11,050,448**	**(7,336,156)**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Property taxes	-	-	-	-	-
Public contributions and donations	161,422,562	-	161,422,562	46,467,772	114,954,790
Fines, penalties and levies	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Government grants and subsidies	1,240,244,327	-	1,240,244,327	112,255,637	1,127,988,690
Rendering of services	-	-	-	-	-
Sale of goods	-	-	-	-	-
Finance Income	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	-
Other Income	9,000,000	-	9,000,000	2,231,890	6,768,110
Total income	**1,410,666,889**	**-**	**1,410,666,889**	**160,955,298**	**1,249,711,591**
Expenses		-			
Compensation of employees	52,500,000	-	52,500,000	46,232,769	6,267,231
Depreciation	1,700,000	-	1,700,000	1,666,598	33,402
Goods and services	-	-	-	-	-
Finance cost	300,000	-	300,000	493,141	193,141
Capex costs	947,906,237	-	947,906,237	1,856,644	946,049,593
Rent paid	2,400,000	-	2,400,000	1,680,000	720,000
Repairs	800,000	-	800,000	103,580	696,420
Taxation paid	-	-	-	-	-
Other payments	405,060,652	-	405,060,652	102,295,186	302,765,466
Grants and subsidies paid	-	-	-	-	-
Total expenditure	**1,410,666,889**	**-**	**1,410,666,889**	**154,327,918**	**1,256,338,971**
Surplus for the period	**-**	**-**	**-**	**6,627,380**	**(6,627,380)**

Budget notes

Our estimates are purely based on the provision of the Political Parties Act, 2011. The Act gives the Party legitimate expectation. We are required to establish head office - which head office must be accessible and secure. The said office must be conspicuous, spacious and not in the backstreet. We are further required to establish more than 24 county offices across the country. The overheads and the running of these offices run into millions every month. Added to this are administrative costs, election and campaign expenses, conferences and meetings and party policy and advocacy. A sample budgetary **basis** is herewith tabulated for your reference and information.

Orange Democratic Movement

Yearly Party Branch Budget

Expense type	County Office	Monthly Rate	Quarterly Cost	Yearly Estimate	Notes & References
Average Office Rent	24	40,000	960,000	11,520,000	See details of conditions of full registration
Security Officer	24	12,000	288,000	3,456,000	attached. Amongst them is the requirement
Courier & Postage	24	5,000	120,000	1,440,000	of branch offices in more than half of the 47
Transport	24	15,000	360,000	4,320,000	counties. Not including contituency offices
Office Clerk	48	20,000	960,000	11,520,000	
Branch Activities	30	25,000	750,000	9,000,000	
Cleaning & Janitorial	24	6,000	144,000	1,728,000	
Utilities	24	10,000	240,000	2,880,000	
Stationery	24	8,000	192,000	2,304,000	
Chairs, Desks & Computer	24	130,000	3,120,000	3,120,000	
				51,288,000	

Yearly Headquarter Budget

Expense type	Head Office	Monthly Rate	Quarterly Cost	Yearly Estimate	Notes & References
Conferences & Meetings	1	1,175,000	4,700,000	56,000,000	Ascertained by previous party needs &activities
Campaigns (Excluding Election yr)	1	2,100,000	8,400,000	100,000,000	Ascertained by previous party needs &activities
Membership & Recruitment	1	1,200,000	4,800,000	58,000,000	Ascertained by previous party needs &activities
Civic Education	1	1,250,000	5,000,000	60,000,000	Ascertained by previous party needs &activities
Party Policy & Advocacy	1	1,250,000	5,000,000	60,000,000	Ascertained by previous party needs &activities
Administrative Expenses	1	1,675,000	6,700,000	80,000,000	Ascertained by previous party needs &activities
Election Year & related expenses	1	16,750,000	67,000,000	800,000,000	to address article 16 of PPA 2011
				1,214,000,000	
Research & Polling				-	Excluded for this purpose
Minimum Estimate Income				1,265,288,000	Excluding election year

With the correct disbursement and observance of the law, we will be in a position to attract qualified staff to effectively run party scheduled activities whilst remaining responsible and accountable. It should worry you that the underfunded parties are actually the ultimate country managers. The Cabinet Secretary – Treasury is an appointee of a political Party.

The minimum 0.3% funding is necessitated by the fact that Political Parties need structures and influence to play a major role in moving the country forward in the reform agenda and that no single individual or foreigner was allowed to fund Parties. The fund remains aimed at strengthening Party programs, addressing institutional and structural lapses and enhancing capacity for policy formulation and implementation.

- The continuation of underfunding to political parties has greatly affected party institutionalization and lowered the democratization process.
- The people of Kenya therefore do not see political parties as necessary organizations in the democratization process.
- The headquarters are thus not able to effectively realize their core mandate, devolve services and to equally monitor and effectively fund and supervise the branches to ensure compliance with the Political Parties Act.
- Underfunding has hindered Kenyans from experiencing fully electoral processes
- The Registrar of Political Parties supervisory mandate is equally affected by the underfunding
- It has denied members the enjoyment of a peaceful and successful party elections and alternations in party leadership.
- With limited funding the country continue to realize incoherent parliamentary group meetings.
- With the Act still in force our budgets remains valid but totally serving no purpose

The ministry of Finance has continuously released less funds in doses that are inconsistent with the Laws as provided under the Act. We therefore request that you proceed to

- question the cabinet secretary for finance to explain the funding contradiction and the criterion used to arrive at the proposed 371 million
- Why the disbursement is not in accordance with established legal frame work and not under the safeguards of budgetary assumptions.
- Why the blatant violation of the law on political parties funding and to immediately demand correction or change of the funding provision if it is not desirable.
- AND to finally show cause why the accounts of Ministry of Finance cannot be qualified for non-compliance.

We wish to reiterate that Budgets are estimates and are, by their nature, scientific and help us to figure out our long-term goals. They force us to map out our goals as a country, they help us to save our money, and they enable us to keep track of our progress and finally making our objectives a reality. While observing these key assumptions like the GDP growth, legislations and legal provisions, balance of payment, inflation and interest rates, reliable revenue collection, reduction on expenditure and borrowing, the National Treasury must at the same time remember not to breach our own laws and legislations. A budget is not a cash-flow statement that reports the results of past activities, however it relies on what the past as ascertained as achievable. Both expenditure and revenues are estimates hinged on real assumptions. Most entities including political parties' budgets are activity-based and have targets that are achievable which require sufficient and timely funding.

It is important to remind us that the 10th Parliament had established the Political Parties Fund for the specific purposes aimed at improving democratic governance in the country. The necessity led to an amendment to the fund in the 2011 Act requiring funding of at least zero point three per cent (0.3%) of the revenue collected by the national government.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Orange Democratic Movement was formed by and derives its authority and accountability from Political Parties Act. The entity is wholly domiciled in Kenya. The entity's principal activity is to strive to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	**Applicable: 1st January 2018** The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019:** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2017-2018 was approved by the National Executive Committee 15th June 2017. Our estimates are purely based on the provision of the Political Parties Act, 2011. The Act gives the Party legitimate expectation. We are required to establish head office - which head office must be accessible and secure. The said office must be conspicuous, spacious and not in the backstreet. We are further required to establish more than 24 county offices across the country. The overheads and the running of these offices run into millions every month. Added to this are administrative costs, election and campaign expenses, conferences and meetings and party policy and advocacy.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented page 5 of these financial statements.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Investment property

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

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

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

6 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. ***Useful lives and residual values***
The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:
The condition of the asset based on the assessment of experts employed by the Entity
The nature of the asset, its susceptibility and adaptability to changes in technology and processes
The principal accounting policies adopted in the preparation of these accounts are set below:

I. **Basis of preparation**
The final statements of the Party have been prepared in accordance and comply with the standards issued by the International Financial Standards (IFRS) under the Historical cost convention and Kenyan Government IPSAs.

II. **Depreciation**
Depreciation is provided for on fixed assets using the reducing balance method except for the Leasehold Structure that is to be written off over 10years period.
The following are the rates used :

- Lease Hold Structure - to be written off over 10 years
- Office Furniture and Fittings 12.5%
- Office Equipment 12.5%
- Computers and Printers 30%
- Motor Vehicles 25%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 Leases

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

8 Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

9 Research and development costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

10 Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Inventories (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

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

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

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) Related parties

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

p) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The National Executive Committee sitting in September 2018 resolved to write off all the unrecoverable debts. These unrecoverable debts are attributable basically to

1. Members of the county assembly who did not make it back to the assembly
2. Members of Parliament and County Assembly who have since died

NOTES TO THE FINANCIAL STATEMENTS

1.PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Governors Contribution	-	1,680,000
Deputy Governors Contribution	-	-
MPs and Senators contribution	30,324,172	11,731,635
Members Contribution	14,539,000	20,538,570
MCAs Contribution	1,604,600	1,358,000
Total Contributions	**46,467,772**	**35,308,205**

These includes Monthly party subscriptions by Governors, deputy governors, Senators, Members of Parliament, Women Representative, Members of the County Assembly and member's contribution to support party activities.

4. TRANSFERS FROM OTHER GOVERNMENTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Unconditional grants		
Government Political Fund	112,255,637	131,233,622
Total un conditional grants	**112,255,637**	**131,233,622**
Conditional grants		
National housing grant	-	-
National infrastructure grant	-	-
Provincial health grant	-	-
Social services grant	-	-
Basic services subsidy	-	-
Transportation fund (international funding)	-	-
Other organizational grants	-	-
Total government grants and subsidies	**112,255,637**	**131,233,622**

Funds transferred from the political parties Fund through the Register of political parties for the financial period 2017/2018.

NOTES TO THE FINANCIAL STATEMENTS (Continue)

5. OTHER INCOME

Description	2017-2018 Kshs	2016-2017 Kshs
OTHER INCOME		
Life membership fees	860,000	72,740,000
Nomination Fees	1,350,040	194,853,500
Tender Purchase	21,850	42,000
Total Other Income	**2,231,890**	**267,635,500**

6. EMPLOYEE COSTS

	2017-2018 Kshs	2016-2017 Kshs
Salaries and wages	46,232,769	45,009,014
Employee related costs - contributions to pensions and medical aids	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Expenditure recharged to capital projects	-	-
Employee costs	**46,232,769**	**45,009,014**

7. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018 Kshs	2016-2017 Kshs
Property, plant and equipment	1,666,598	2,000,407
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	**1,666,598**	**2,000,407**

8. REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	Kshs	Kshs
Property-Leasehold	41,930	176,550
Equipment and machinery	61,650	296,635
Vehicles	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Other	-	-
Total repairs and maintenance	**103,580**	**473,185**

9. GENERAL EXPENSES

Description	2017-2018	2016-2017
	Kshs	Kshs
Advertising	248,768	917,193
Legal and professional fees	170,000	1,735,500
Audit fees	-	100,000
Electricity (Utilities)	131,246	178,632
Insurance-Staff Medical	3,594,162	3,344,801
Communication and Internet	218,485	2,600,000
Branch Training-Coordination and Support	2,956,800	8,410,230
Campaign Expenses	39,307,775	267,862,138
Civic Education Expenses	45,000	2,194,250
Regional Conferences	13,032883	38,738,212
Party Policy and Advocacy	17,268,710	30,674,984
Legal Expenses	2,917,620	8,426,900
NSSF Employer Liability	50,000	41,600
Staff welfare	165,566	278,055
Postage & Delivery	49,460	195,986
Office Stationery	317,507	504,581
Printing and reproduction	311,100	1,150,633
Newspapers and Publications	102,980	147,600
Bad Debts	13,680,000	20,682,192
Travel and accommodation	3,173,200	7,476,475
Security costs	1,394,880	2,543,070
Transportation and motor Expenses	4,459,438	4,633,448
Cleaning and Janitorial	100,000	20,000
Staff Skills development	100,000	390,874
Clubs and membership	356,250	131,150
Total general expenses	**104,151,830**	**403,378,583**

10. FINANCE COSTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank charges	493,141	673,871
	-	-
	-	-
Total finance costs	**493,141**	**673,871**

11. CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank	11,043,597	(7,783,813)
Cash -on -hand and in transit	6,854	447,657
Total cash and cash equivalents	**11,050,450**	**(7,336,156)**

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

		2017-2018	2016-2017
Financial institution	Account number	Kshs	Kshs
a) **Current account**			
Co operative bank of Kenya (MA)		774,471	649,626
Co operative bank of Kenya (FR)		30,113	(1,827,683)
Co operative bank of Kenya (PC)		(595,766)	214,455
Co operative bank of Kenya (PF)		10,834,779	(6,820,211)
Sub- total		**11,043,597**	**(7,783,813)**
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Equity Bank		-	-
Sub- total		-	-
e) Cash -on -hand and in transit			
Cash in hand		3,200	1,314
Cash Holding		-	77,081
M pesa		2,050	369,262
Pay pill		1,604	-
Sub- total		**6,854**	**447,657**
Grand total		**11,050,450**	**(7,336,156)**

12. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Current receivables		
Other Debtors (VAT receivable)	3,288,166	3,288,166
Staff advances	873,999	744,000
Outstanding Members Contribution	61,959,744	78,280,500
Newspaper Investment		
Prepaid Rent	-	420,000
Prepaid Staff Medical Insurance	3,150,792	2,901,003
Total current receivables	**98,016,793**	**114,364,261**
Non-current receivables		
Current portion transferred to current receivables	-	-
	-	-
Total non-current receivables	-	-
Total receivables	**98,016,793**	**114,364,261**

13. INVENTORIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Consumable stores-Membership cards	8,039,888	8,039,888
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	**8,039,888**	**8,039,888**

12a. INVESTMENTS

Description	2017-2018	2016-2017
	Kshs	Kshs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-

c) Equity investments (specify)		
Equity/ shares in Connector Communications	28,744,092	28,730,592
Sub- total	28,744,092	28,730,592
Grand total	**28,744,092**	**28,730,592**

12c) Shareholding in other entities

For investments in equity share listed under note 12(a) above, list down the equity investments under the following categories: on 100,000 shares

	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Shs	Shs	Shs
Connector Communication	95%	5%	-		100	100
	95%	5%	0	xxx	28,744,092	28,730,592

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Structure	Computers & printers	Office Equipment	Furniture & Fittings	Motor Vehicles			Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1July 2012	**1,379,506**	**2,727,248**	**3,699,870**	**5,134,005**	**11,425,690**	-	-	**24,366,319**
Additions	-	1,806,690	365,000	64,995	-	-	-	2,236,685
At 30th June 2013	**1,379,506**	**4,533,938**	**4,064,870**	**5,199,000**	**11,425,690**	-	-	**26,603,004**
Additions	-	140,000	-	--	-	-	-	**140,000**
At 30th June 2014	**1,379,506**	**4,673,938**	**4,064,870**	**5,199,000**	**11,425,690**	-	-	**26,743,004**
Additions	-	409,000	-	-	-	-	-	409,000
At 30th June 2015	**1,379,506**	**5,082,938**	**4,064,870**	**5,199,000**	**11,425,690**	-	-	**27,152,004**
Additions	-	**1,090,400**	-	-	-	-	-	**1,090,400**
Disposals	-	(718,200)	(40,000)	-	-	-	-	(758,200)
At 30th June 2016	**1,379,506**	**5,455,138**	**4,024,870**	**5,199,000**	**11,425,690**			**27,484,204**
Additions	-	695,000	381,600	155,120	-	-	-	1,231,720
At 30th June 2017	**1,379,506**	**6,150,138**	**4,406,470**	**5,354,120**	**11,425,690**	-	-	**28,715,924**
Additions	-	-	1,723,084	133,560	-	-	-	1,856,644
At 30th June 2018	**1,379,506**	**6,150,138**	**6,129,554**	**5,487,680**	**11,425,690**	-	-	**30,572,568**
Depreciation and impairment								
At 1July 2012	**492,516**	**943,344**	**407,025**	**1,480,280**	**5,266,529**	-	-	**8,589,694**
Depreciation	88,699	1,077,178	457,231	464,840	1,539,790	-	-	3,627,738
A t30 June 2013	**581,215**	**2,020,522**	**864,256**	**1.954,120**	**6,806,319**	-	-	**12,217,432**
Depreciation	79,829	796,025	400,077	406,735	1,154,843	-	-	2,837,509
At 30 June 2014	**661,00044**	**2,816,547**	**1,264,333**	**2,351,855**	**7,961,162**	-	-	**15,054,941**
Depreciation	71,846	679,917	350,067	355,893	866,132	-	-	2,323,855
At 30 June 2015	**732,890**	**3,496,464**	**1,614,400**	**2,707,748**	**8,827,294**	-	-	**17,378,796**
Depreciation	508,666	815,062	301,309	311,417	649,599	-	-	2,586,053
Disposals	-	(718,200)	(40,000)	-	-	-	-	**(758,200)**

At 30 June 2016	**1,241,556**	**3,593,326**	**1,875,709**	**3,019,165**	**9,476,893**	-	-	19,206,649
Depreciation	137,950	767,044	316,345	291,869	487,199	-	-	2,000,407
At 30 June 2017	**1,379,506**	**4,360,370**	**2,192,054**	**3,311,034**	**9,964,092**	-	-	21,207,056
Depreciation	-	536,930	492,188	272,081	365,399	-	-	1,666,598
At 30 June 2018	**1,379,506**	**4,897,300**	**2,684,242**	**3,583,115**	**10,329,491**	-	-	22,873,654
Net book values								
At 30th June 2018	-	1,252,838	3,445,313	1,904,565	1,096,198	-	-	7.698.913
At 30th June2017	-	1,789,768	2,214,416	2,043,086	1,461,598	-	-	7.508.868
At 30th June2016	137,950	1,861,812	2,149,161	2,179,835	1,948,797	-	-	8.277.555
At 30th June2015	646,616	1,586,474	2,450,470	2,491,252	2,598,396	-	-	9.773.208
At 30th June2014	718,462	1,857,391	2,800,537	2,847,145	3,464,528	-	-	11.688.063
At 30th June2013	798,291	2,513,416	3,200,614	3,253,880	4,619,371	-	-	14.385.572

15.TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Trade payables	5,365,770	9,763,969
Payments received in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	**5,365,770**	**9,763,969**

16. CASH GENERATED FROM OPERATIONS

	2017-2018	2016-2017
Surplus for the year before tax	6,627,381	(25,837,734)
Adjusted for:		
Depreciation	1,666,598	2,000,407
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	16,347,468	21,807,582
Increase in deferred income	-	-
Increase in payables	(4,398,198)	(4,285,936)
Increase in payments received in advance	-	-
Net cash flow from operating activities	**20,243,249**	**(6,315,681)**

17. TRANSFER TO COALITION PARTNERS

Description	2017-2018	2016-2017
	Kshs	Kshs
	-	6,800,000
	-	-
	-	-
	-	-
	-	-
Total transfer to coalition partners	-	**6,800,000**

3 EVENTS AFTER THE REPORTING PERIOD

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

4 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

5 Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved/ Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
4.1	Budgetary Estimates	See attached response	Finance Director	Resolved	N/A
4.2	Outstanding Members Contributions	See attached response	Finance Director	Resolved	N/A

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Secretary General

Date.....