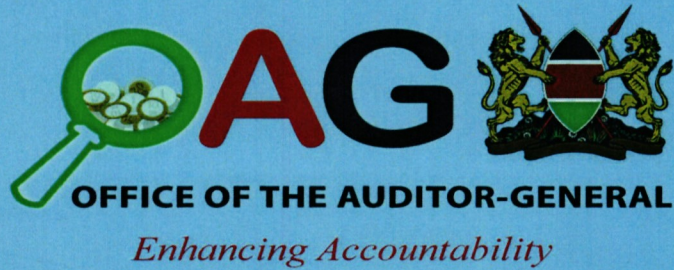


REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**OFFICE OF THE REGISTRAR OF POLITICAL  
PARTIES-STAFF MORTGAGE LOAN FUND**

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

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**



Republic of Kenya

**ORPP MORTGAGE LOAN  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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



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**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
MORTGAGE LOAN FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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**1. KEY ENTITY INFORMATION**

**(a) Background information**

The Salaries and Remuneration Commission vide Circular No .SRC/ADM/CIR/1/13.III (128) dated 17th November, 2014 granted approval for all Public Service Institutions to establish Staff Mortgage and Car Loan Scheme. In line with this provision, the Office of the Registrar of Political Parties established a Staff Mortgage and Car Loan Scheme. The Office developed the Political Parties (Staff Mortgage and Car Loan Scheme) Regulations, 2017, which were gazetted vide legal notice No. 294 on December 29th, 2017 to guide the implementation of the Scheme.

The Scheme was operationalized in May 2018 and the Staff Mortgage and Car loan Advisory Committee was established. The committee comprises of seven (7) members and a secretariat appointed by the Registrar and whose responsibilities are to:-

- a) Select competitively the service provider for the administration of the scheme;
- b) Liaise with the service provider to establish a revolving fund for the disbursement of loans;
- c) Supervise day to day running of the Scheme;
- d) Process applications for loans in accordance with the existing terms and conditions of borrowing ;
- e) Forward the successful applications with recommendations to the service provider for approval among others.

Since inception, the Scheme has received Kenya shillings one hundred seventy million twenty four thousand nine hundred thirty eight (Kshs.170,024,938) through financial years 2017/2018, 2018/2019 and 2019/2020 from the exchequer.

**(b) Principal activities**

The objective of the ORPP Mortgage Scheme is to empower ORPP staff to own homes in line with government objective of affordable housing under the Big Four Agenda.

The principal activities of the Scheme are to ;

- a) Purchase existing residential property;
- b) Purchase land and construct residential property;
- c) Construct , renovate and improve existing residential property;
- d) Takeover loans on existing mortgages;

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e) Provide equity release;

**(c) Fiduciary management**

The Staff Mortgage and Car Loan Advisory Committee has a fiduciary responsibility and comprise of the following members:-

<b>S/no.</b>	<b>Name</b>	<b>Designation</b>
1.	Joshua M. Kimulu	Chairperson
2.	Joel Terer	Member
3.	John M. Macharia	Member/ Liaison officer
4.	Anastacia N. Kaberere	Member
5.	Geraldine F. Mukele	Member
6.	Kelvin Mung'asio	Member
7.	Lenard Rotich	Member
8.	Jacqueline Kosgei	Secretary
9.	Alice Gichaga	Secretariat
10.	Elizabeth Wakesho	Secretariat



**Joshua M. Kimulu**  
Chief Finance Officer

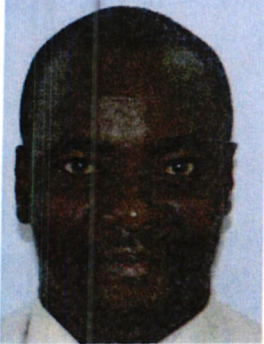
Mr. Joshua Kimulu is responsible for effective implementation of prudent financial management strategies, policies, standards and procedures in budget planning and preparation, and resource mobilisation. He holds a Master of Science Degree in International Economic and Business from University of Groningen, the Netherlands, a Bachelor of Arts Degree in Economics from Moi University. He holds a certificate of Certified Public Accountants Part III (Section IV), Strategic Leadership and Senior Management from Kenya School of Government.





**Joel K. Terer**  
Assistant Director, Records

Mr. Terer is responsible for implementing policies, guidelines and procedure on records management of the Office. He holds Masters in Arts, in Economics and Cooperation from BKD University (India) and Bachelor of Arts-Economics and Sociology from Agra University (India). He has a certificate in Records management from ESAMI, Strategic Leadership development Programme (SLDP) and Senior Management Course (SMC)

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Management	from Kenya School of Government.
 <p><b>John M. Macharia</b> Assistant Accountant General</p>	<p>John Macharia is responsible for implementing prudent financial management policies, strategies, standards, procedures in accounting in line with Public Financial Management Act (PFM) and other Treasury Circulars. He holds a Bachelor Degree of Commerce in Finance from Masinde Muliro University of Science and Technology. He is a CPA (K) and has a certificate in Strategic Leadership development Programme (SLDP) and a certificate in Senior Management Course (SMC) from Kenya School of Government. He is a member of ICPAK.</p>
 <p><b>Kelvin Kasaine Mung'asio</b> Senior Supply Chain Management Officer</p>	<p>Mr. Kelvin Kasaine Mung'asio holds a Professional Diploma in Procurement and Supply from the Chartered Institute of Procurement and Supply (CIPS), Bachelor of Commerce and a Masters (MSc.) in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a licenced procurement practitioner and a member of the Kenya Institute of Supplies Management (KISM) and a member of the Chartered Institute of Procurement and Supply (MCIPS). He is the head of the Supply Chain Department and oversees all the procurement and disposal of assets in accordance to the Public Procurement Act and Regulations. He also ensures effective implementation of supply chain management policies, guidelines and procedures.</p>
 <p><b>Jacqueline Kosgei</b> Principal Human Resource Management Officer</p>	<p>Jacqueline Kosgei is a seasoned Human Resource professional with over 15 years' experience in management of Human capital in various government Ministries and Agencies Jacqueline has extensive knowledge and skills in end to end recruitment, employee performance management, job evaluation and reward management, training and development, organizational development and formulation of HR policies, procedures and strategies While at the State Department for Public Service,</p>

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
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	<p>Jacqueline provided extensive technical support to many government institutions in the development and review of their Human Resource Policies, Procedures and strategies Her other skills, include development and implementation of Quality Management System based on ISO .</p> <p>Jacqueline holds a Bachelor' of Arts degree in, Government and Public Administration, Higher National Diploma in HRM, Master of Business Administration (Strategic Management) and has attended various leadership and management courses at the Kenya School of Government. She is a full and active member of the Institute of Human Resource Management (IHMRM)</p>
 <p><b>Anastacia N.Kaberere</b> Senior Training and Development Officer</p>	<p>Anastacia Kaberere is responsible for planning, coordinating and implementing training and development strategies in line with Training Policy. She holds a Masters degree in Business Administration, Project Management, from Kenyatta University, a Bachelors Degree in Business Administration, Human Resource Management from Kenya Methodist University and a Diploma in Business Management from Kenya Institute of Management (KIM). She has a certificate in Senior Management Course (SMC) from Kenya School of Government, a certificate in Training of Trainers (ToT) from Commonwealth Secretariat and a certificate in Supervisory Skills Management from Kenya School of Government.</p>
 <p><b>Geraldine Mukele</b> Senior County Monitor</p>	<p>Geraldine Mukele is an Advocate of the High Court of Kenya. She holds a Bachelor of Laws Degree and a Post Graduate Diploma from the Kenya School of Law. She is also a member of the Law Society of Kenya.</p>

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
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FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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**Entity Headquarters**

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Westlands, Nairobi, Kenya  
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Website: [www.orpp.or.ke](http://www.orpp.or.ke).

**Entity Bankers**

Housing Finance Corporation 2327693401  
Koinange street  
P.O. Box 30088  
City Square 00100  
Nairobi, Kenya

**Independent Auditors**

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

**Principal Legal Advisor**

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

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES**  
**MORTGAGE LOAN FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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**2. CHAIRPERSON'S REPORT**

It is the desire of many Kenyans to own a home. However, the cost of decent housing is prohibitive and out of reach for many Kenyans. The Political Parties (Staff Mortgage and Car Loan Scheme) provides ORPP staff with an opportunity to acquire/buy/build a home using a mortgage facility that is affordable and has longer repayment period. Similarly, the ORPP Car Loan Scheme operates along the same principle; facilitating staff to acquire motor vehicles through the provision of loans to purchase car for non-commercial use. The scheme is set up as a revolving fund and is overseen by the Staff Mortgage and Car Loan Advisory Committee in line with the scheme Regulations.

The ORPP mortgage and car loan facilities are pursuant to the Salaries & Remuneration Commission (SRC) approval for State Officers and other public officers to benefit from Government funded loans.

The National Treasury provided the first budget allocation Kshs.65,000,000 to the Scheme in the FY 2017/18. However, the scheme did not record any disbursement because the Office was laying down statutory and administrative structures to govern the management of the scheme. The scheme received an additional budget of Kshs.75,000,000 and Kshs.30,024,938 during the FYs 2018/2019 and 2019/2020 respectively.

During the FY 2018/2019, the Office trained the Advisory Committee members and sensitized staff on the Scheme. The Advisory Committee is responsible for processing applications for loans in accordance with the existing terms and conditions for borrowing, forwarding the successful applications with recommendations to the Service Provider for approval among other functions.

In the Financial year 2019/2020, five (5) mortgage loans were disbursed totalling to Kenya shillings forty five million eight hundred sixty three thousand (Kshs.45,863,000). Since inception, the mortgage scheme has received a total of Kenya shillings one hundred and seventy million twenty four thousand nine hundred thirty eight (Kshs.170,024,938) from the National Treasury. At

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
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FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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time, the scheme disbursed a total of Kenya shillings sixty seven million, six hundred and thirteen thousand (Kshs.67,613,000) for mortgage loans to eight (8) applicants cumulatively.

The Office of the Registrar of Political Parties (ORPP) appreciates the National Treasury for the allocation of funds to the ORPP Mortgage scheme. This scheme will go a long way in actualizing the vision of affordable housing as envisaged in the Big Four Agenda

It is anticipated that the provision of this facility will empower ORPP staff members and motivate and immensely contribute towards attraction and retention of requisite skills in the Office.

**Joshua M. Kimulu**

Chairperson, Mortgage and Car loan Advisory Committee

  
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OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
MORTGAGE LOAN FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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**3. MANAGEMENT DISCUSSION AND ANALYSIS**

The Political Parties (Staff Mortgage and Car Loan Scheme) provides staff of the Office of the Registrar of Political Parties (ORPP) with an opportunity to buy or build a house/or improve residential property using a mortgage that is affordable. The loanee is insured with group life assurance and the property insured against fire to mitigate against any risk.

Since inception, the scheme has received a total of Kshs.170,024,938 from the National Treasury and has disbursed a total of Kshs.67,613,000 to eight (8) applicants.

In regards to repayment, all the loans were performing. The mortgage earned an interest income of Kshs.5,155,185 over the review period. As at the end of the review period, the scheme bank balances stood at Kshs.118,180,680.00 for mortgage.

It is expected that the scheme will be more active in the subsequent financial periods considering that the uptake of the facility has greatly improved and the in-post members of staff is increasing.

#### 4. FORWARD BY ATTORNEY GENERAL

##### i. Introduction

The Republic of Kenya is a multi-party democratic state founded on the national values and principles of governance (Article 4). The people of Kenya are free to exercise their political and democratic rights through free, fair and credible electoral process. The Constitution provides that every person is equal before the law and has a right to make political choices which include the right to belong and campaign for a political party and candidate of their choice (Article 38).

The Constitution envisages well governed and managed political parties. Articles 91 and 92 of the Constitution recognize political parties as important governance institutions in the promotion of democracy. To operationalize the two Articles the Political Parties Act, 2011 was enacted. The Act established the Office of the Registrar of Political Parties (ORPP) as an independent State office within the meaning of Article 260 of the Constitution of Kenya, 2010.

##### ii. Summary of Mortgage budget allocation for the year ended 30<sup>th</sup> June 2018.

During the financial year 2017/2018, the Office of Registrar of Political Parties (ORPP) was allocated a budget of Sixty Five Million Shillings only (Kshs. 65,000,000) for staff Mortgage loan. This was in line with the Salaries and Remuneration Commission (SRC) which through Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17<sup>th</sup> December 2014 approved the establishment of Car Loan and Mortgage Scheme for State Officers and other Public Officers of Government of Kenya. The circular also authorized Commissions; independent Offices State Corporations among other individual Government Institutions to manage and administer their individual Car Loan and Mortgage Scheme.

The office sought and was granted authority by the National Treasury through letter Ref. No. AG.3/88/1 Vol. 16/(40) dated 4<sup>th</sup> April 2018 to open a bank account with HFC Limited for Staff Mortgage. The funds allocated were transferred to the above account and by closure of the FY2017/18 the funds had not been disbursed to the staff who applied because the loan application approvals were in process.

The Scheme received an additional budget of Kshs.75,000,000 and Kshs.35,024,938 during the FY's 2018/19 and 2019/20 respectively. Table 1 below shows total allocation to Staff Mortgage Scheme:

OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
MORTGAGE LOAN FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

**Table 1: Staff Mortgage allocation**

S/No	Financial Year	Amount (Kshs.)
1.	2017/18	65,000,000
2.	2018/19	75,000,000
3.	2019/20	30,028,938
<b>Total</b>		<b>170,028,938</b>

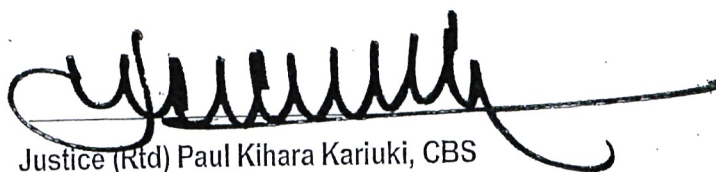
In the year under review, the Staff Mortgage Scheme earned interest totalling Kenya Shillings five million, one hundred fifty three thousand, one hundred eighty five (Kshs.5,153,185). At the same period the scheme received Kenya shillings six million, nine hundred twenty thousand one hundred fifty eight (Kshs.6,920,158) as principle repayments from the disbursed loans.

**Table 2: Interest and Principal repayment**

S/No	Item	Amount (Kshs.)
1.	Interest income	5,153,185
2.	Principal amount	6,920,158
<b>Total</b>		<b>12,073,343</b>

During the year under review, a total of Kenya shillings forty five million eight hundred sixty three thousand (Kshs.45,863,000) were disbursed to five (5) successful applicants. This brings the total cumulative disbursement to Kenya Shillings sixty seven million, six hundred thirteen thousand (67,613,000) to eight applicants.

It is expected that the Scheme will be more active in the subsequent financial periods given that the uptake of the facility has greatly improved and the inpost member of staff is increasing.



Justice (Rtd) Paul Kihara Kariuki, CBS

Attorney General

Date.....

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
MORTGAGE LOAN FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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**5. STATEMENT OF REGISTRAR'S RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Registrar of Political Parties(ORPP) shall prepare financial statements in respect of the office. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Registrar is the Accounting Officer for the Office of the Registrar of Political Parties and is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the office for and as at the end of the financial year ended on June 30<sup>th</sup>, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Office (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 office (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Registrar accepts responsibility for the financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Registrar is of the opinion that the financial statements give a true and fair view of the state of transactions during the financial year ended June 30<sup>th</sup>, 2020, and of the financial position as at that date. The Registrar further confirms the completeness of the accounting records maintained for the office, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

The Registrar confirms that the office has complied fully with applicable Government Regulations and the Political Parties Act and that the Office of the Registrar of Political Parties' funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Registrar confirms that the financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
MORTGAGE LOAN FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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Nothing has come to the attention of the Registrar to indicate that the entity will not remain a going concern for at least the next twelve months from the date of these statements.

**Approval of the financial statements**

The office of the Registrar of Political Parties' financial statements were approved and signed by the Registrar on 30.9. 2020.



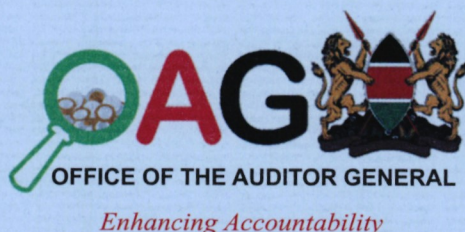
**Ann N. Nderitu, MBS**  
Registrar of Political Parties



**John Macharia**  
Assistant Accountant General  
ICPAK M/No. 5474

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE REGISTRAR OF POLITICAL PARTIES-STAFF MORTGAGE LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of the Office of the Registrar of Political Parties-Staff Mortgage Loan Fund set out on pages 1 to 10, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of the Office of the Registrar of Political Parties-Staff Mortgage Loan Fund as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### Basis for Opinion

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

#### Key Audit Matters

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

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*Report of the Auditor-General on Office of the Registrar of Political Parties-Mortgage Loan Fund for the year ended 30 June, 2020*

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance as to whether the activities, financial transactions and information reflected in the financial statements comply, 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 procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi


25 May, 2021

OFFICE OF REGISTRAR OF POLITICAL PARTIES- MORTGAGE LOAN FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE, 2020

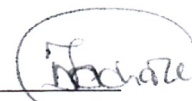
**I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>RECEIPTS</b>			
Revenue from non-exchange transactions			
Transfer from other government entities	5 (a)	30,024,938	75,000,000
<b>TOTAL RECEIPTS</b>		<b>30,024,938</b>	<b>75,000,000</b>
Revenue from exchange and non-exchange transactions			
Finance income/ Refunds	6	12,073,343	8,516,772
<b>TOTAL REVENUES</b>		<b>42,098,281</b>	<b>83,516,772</b>
<b>PAYMENTS</b>			
Disbursement	7	45,863,000	22,200,00
<b>TOTAL PAYMENTS</b>		<b>45,863,000</b>	<b>22,200,000</b>
<b>SURPLUS/DEFICIT</b>		<b>-3,764,719</b>	<b>61,316,772</b>

The notes set out on pages 1 to 4 form an integral part of the Quarterly Financial Statements.



**Ann N. Nderitu, MBS**  
Registrar of Political Parties



**John Macharia**  
Assistant Accountant General  
ICPAK M/No. 5474


**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
MORTGAGE LOAN FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

**II. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8(a)	118,412,217	126,776,936
Cash Balances		-	-
<b>Total Cash and cash equivalent</b>		<b>118,412,217</b>	<b>126,776,936</b>
Accounts receivables – Outstanding Imprests		4,600,000	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>123,012,217</b>	<b>126,776,936</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions			-
<b>NET FINANCIAL ASSETS</b>		<b>123,012,217</b>	<b>126,776,936</b>
<b>REPRESENTED BY</b>			
<b>Fund balance b/fwd</b>		<b>126,776,936</b>	65,460,164
Prior year adjustment		-	-
<b>Surplus/Deficit for the year</b>		<b>-3,764,719</b>	61,316,772
<b>NET FINANCIAL POSSITION</b>		<b>123,012,217</b>	<b>126,776,936</b>



**Ann N. Nderitu, MBS**  
Registrar of Political Parties



**John Macharia**  
Assistant Accountant General  
ICPAK M/ No: 5474

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

	Retained earnings	Revaluation reserve
	Kshs	Kshs
At July 1, 2018	65,460,164	-
Total comprehensive income	61,316,772	-
<b>At June 30, 2019</b>	<b>126,776,936</b>	<b>65,460,164</b>
At July 1, 2019	126,776,936	65,460,164
Total comprehensive income	-3,764,719	61,316,772
<b>At June 30, 2020</b>	<b>123,012,217</b>	<b>126,776,936</b>

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

	2019-2020	2018-2019
	Kshs	Kshs
<b>Cash flows from operating activities</b>		
Surplus for the year	-3,764,719	61,316,772
<b>Cash flows from operating activities</b>	<b>-3,764,719</b>	<b>61,316,772</b>
<b>Cash flows from working capital changes</b>	-	-
Decrease / Increase in receivables from non – exchange transactions	-4,600,000	-
<b>Net cash flows from operating activities</b>	<b>-8,364,719</b>	<b>61,316,772</b>
<b>Cash flows from investing activities</b>		-
Purchase of property, plant, equipment and intangible assets	-	-
<b>Net cash flows used in investing activities</b>	-	-
<b>Cash flows from financing activities</b>		-
Proceeds from borrowings	-	-
Repayment of borrowings		
Increase in deposits		
<b>Net cash flows used in financing activities</b>	-	-
<b>Net increase/(decrease)in cash and cash equivalents</b>	<b>-8,364,719</b>	<b>61,316,772</b>
Cash and cash equivalents at 1 JULY 2019	126,776,936	65,460,164
<b>Cash and cash equivalents at 30 JUNE 2020</b>	<b>118,412,217</b>	<b>126,776,936</b>

OFFICE OF REGISTRAR OF POLITICAL PARTIES- MORTGAGE LOANFINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE, 2020

**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30<sup>TH</sup> JUNE 2020**

	Original Budget	adjustments	Final Budget	Actual on	Performance
	2019-2020	2019-2020	2019-2020	comparable basis	difference
	Shs	Shs	Shs	Shs	Shs
<b>Revenue</b>					
Transfer to other government entities	30,024,938	-	30,024,938	30,024,938	
Finance income		-	12,073,343	12,073,343	
<b>Total income</b>	<b>30,024,938</b>	-	<b>42,098,281</b>	<b>42,098,281</b>	
<b>Expenses</b>					
Disbursement		-	45,863,000	45,863,000	
<b>Total Expenses</b>			<b>45,863,000</b>	<b>45,863,000</b>	
<b>Surplus for the period</b>		-	<b>-3,764,719</b>	<b>-3,764,719</b>	

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**VI. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

The Office of the Registrar of Political Parties (ORPP) is established by and derives its authority and accountability from Constitution of Kenya and the Political Parties Act, 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Register and Regulate political parties and Administer Political Parties Fund.

The Salaries and Remuneration Commission (SRC) through Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 approved the establishment of Car Loan and Mortgage Scheme for State Officers and other Public Officers of Government of Kenya. The circular also authorized Commissions; independent Offices State Corporations among other individual Government Institutions to administer manage and administer their individual Car Loan and Mortgage Scheme. In addition, the Independent government agencies were advised to prepare appropriate Regulations to guide the implementation. In view of the above, the Office of the Registrar of Political Parties (ORPP) gazetted the Political Parties (Staff Mortgage and Car Loan Scheme) Regulations, 2017 on 29th December 2017.

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

This is the second year that the financial statements are been prepared on an accrual basis. The financial statements have been prepared on a historical cost basis. The preparation of financial statements is in conformity with International Public Sector Accounting Standards (IPSAS) that allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Political Parties Fund accounting policies.

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

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 applied consistently.

**3. Revenue recognition**

**a. 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

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in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**b. Budget information**

The National Assembly approved the original budget for FY 2019-2020 on June 2019. No subsequent revisions or additional appropriations were made to the approved budget.

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.

**c. 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 Housing Finance of Kenya.

**d. Comparative figures**

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

**e. Subsequent events**

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

**4. 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:

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES  
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**a. 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. NOTES TO THE FINANCIAL STATEMENTS**

**a. TRANSFER FROM OTHER GOVERNMENTS ENTITIES**

Description	2019-2020	2018-2019
<b>1. Unconditional Grants</b>		
Operational grant	32,024,938	75,000,000
<b>Total</b>	<b>32,024,938</b>	<b>75,000,000</b>

**b. TRANSFER FROM OFFICE OF THE REGISTRAR OF POLITICAL PARTIES.**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			Kshs	Kshs	Kshs
Office of the Registrar of Political Parties	32,024,938	-	-	-	32,024,938
<b>Total</b>	<b>32,024,938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,024,938</b>

**GENERATED FROM OPERATIONS**

	2019-2020	2018-2019
	Kshs.	Kshs.
Finance Income	12,073,343	8,516,772
<b>Total</b>	<b>12,073,343</b>	<b>8,516,772</b>

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**7. Disbursement**

	2019-2020	2018-2019
	Loan advanced	Loan advanced
		Shs
Mortgage Loan advanced	45,863,000	22,200,000
<b>Total car loan amount for the period</b>	<b>45,863,000</b>	<b>22,200,000</b>

**8. A. CASH AND CASH EQUIVALENTS**

Description	2019-2020	2018-2019
	KShs	KShs
Fixed deposits account	118,412,217	126,776,936
<b>Total cash and cash equivalents</b>	<b>118,412,217</b>	<b>126,776,936</b>

**8b DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
<b>a) Current account</b>			
HFC	2327693401	118,412,217	126,776,936
		-	-
<b>Total</b>		<b>118,412,217</b>	<b>126,776,936</b>

**b. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The office's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

**i. Credit risk**

The office has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the management.

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**ii. Financial Risk Management**

	<b>Total amount Kshs</b>
<b>At 30 June 2019</b>	
Bank balances	118,412,217
<b>Total</b>	<b>118,412,217</b>

The entity has significant concentration of credit risk on amounts due from bank balances. The management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**iii. Market risk**

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

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

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

**iv. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Other related parties include:

- i) The Government of Kenya;
- ii) The office of the Registrar of Political Parties;
- iii) Housing Finance Corporation.